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

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

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MAJOR AND CONNECTED TRANSACTION

SALE AND PURCHASE OF SHEUNG WAN HOTEL

AND

OPTION REGARDING SALE AND PURCHASE OF NORTH POINT HOTEL

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

AmCap
Ample Capital Limited
豐盛融資有限公司

A notice convening the special general meeting of Regal Hotels International Holdings Limited (the "Company") to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 18 July 2013 at 12:00 noon (the "SGM") is appended to this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to 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 adjourned meeting should you so wish.

29 June 2013

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DEFINITIONS

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

“Ample Capital”	Ample Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the SW Hotel Transaction and the Option
“Board”	the board of Directors
“Business Day”	a day (excluding, Saturdays, Sundays and public holidays) on which commercial banks are open for business in Hong Kong and the Stock Exchange is open for trading
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Company”	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)
“Deposit”	a deposit of HK\$948 million, which is refundable in limited circumstances, and payable by the Trustee to P&R Holdings under the Share Purchase Agreement
“Directors”	the directors of the Company
“Enlarged Group”	the Group immediately after completion of the SW Hotel Transaction and the grant of the Option
“Facility Letter”	the facility letter to be entered into between the Trustee (as borrower) and P&R Finance Limited (as lender) in respect of the Vendor Facility
“Fortune Group”	Fortune Mine and its subsidiary
“Fortune Mine”	Fortune Mine Limited
“Group”	the Company and its subsidiaries
“Guarantors”	the Company and Paliburg
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hotels”	the Sheung Wan Hotel and the North Point Hotel collectively
“Hotel Manager”	Regal Hotels International Limited, a wholly-owned subsidiary of the Company
“Independent Board Committee”	the independent board committee of the Board, comprising Ms. Alice KAN Lai Kuen and Professor Japhet Sebastian LAW (both being independent non-executive Directors), established to advise the Independent Shareholders on the SW Hotel Transaction and the Option
“Independent Shareholders”	Shareholders other than Mr. LO Yuk Sui, Century City, Paliburg and their respective associates
“Interior Fit-Out Agency Deed(s)”	the agency deed to be entered into between the SW Property Company or the NP Property Company (as the case may be) and the Interior Fit-Out Agent upon completion of the SW Hotel Transaction or the NP Hotel Transaction (as the case may be)
“Interior Fit-Out Agent”	P&R Contracting Agency Limited, a wholly-owned subsidiary of P&R Holdings, to be appointed by the SW Property Company or the NP Property Company (as the case may be) to enter into Interior Fit-Out Contracts on its behalf under the Interior Fit-Out Programme
“Interior Fit-Out Contracts”	all construction contracts and/or other contracts in relation to the carrying out of the relevant Interior Fit-Out Programme to be entered into by the SW Property Company or the NP Property Company (as the case may be), or to be entered into by the Interior Fit-Out Agent (as agent for and on behalf of the SW Property Company or the NP Property Company, as the case may be), with the relevant contractors and/or project consultants and/or other professional advisers whose services are from time to time engaged in connection with the execution of the relevant Interior Fit-Out Programme
“Interior Fit-Out Long Stop Date”	the date falling six months after completion of the SW Hotel Transaction or the NP Hotel Transaction (as the case may be)
“Interior Fit-Out Programme”	the interior fit-out programme in relation to the Sheung Wan Hotel or the North Point Hotel (as the case may be)
“Latest Practicable Date”	26 June 2013, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular

DEFINITIONS

“Lessee”	Favour Link International Limited, a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2014 in respect of the Share Purchase Agreement or 30 September 2014 in respect of the Option Agreement (as the case may be), or such later date as may be agreed between P&R Holdings and the Trustee (acting on the recommendation and at the direction of the Manager)
“Manager”	Regal Portfolio Management Limited, the manager of Regal REIT and a wholly-owned subsidiary of the Company
“March 2013 Notes”	the unlisted and unsecured notes due 2018 with an interest rate of 4.125% per annum issued by the MTN Issuer in March 2013 under the Regal REIT MTN Programme with an aggregate principal amount of HK\$775 million
“May 2013 Notes”	the listed and unsecured notes due 2018 with an interest rate of 4.10% per annum issued by the MTN Issuer in May 2013 under the Regal REIT MTN Programme with an aggregate principal amount of US\$150 million
“MTN Issuer”	R-REIT International Finance Limited, a wholly-owned subsidiary of Regal REIT
“North Point Hotel”	a hotel located at Nos. 14-20 Merlin Street, North Point, Hong Kong
“Notes”	the notes issued and to be issued by the MTN Issuer from time to time pursuant to the Regal REIT MTN Programme, including the March 2013 Notes and the May 2013 Notes
“NP Hotel Transaction”	pursuant to the exercise of the Option, (a) the acquisition by the Trustee (acting on the instructions of the Manager) (or its nominee) of the entire issued share capital of Fortune Mine; and (b) the assignment of the NP Shareholder Loan to the Trustee
“NP Lease Agreement”	the lease agreement in respect of the lease of the North Point Hotel by the Lessee from the NP Property Company.

DEFINITIONS

“NP Property Company”	Wise Decade Investments Limited, a wholly-owned subsidiary of Fortune Mine
“NP Shareholder Loan”	all amounts due (including principal, interests and other sums (if any)), owing or payable by Fortune Mine to P&R Holdings
“NP Transaction Documents”	collectively, (1) the Option Agreement; and (2) the documents pursuant to the exercise of the Option including (i) the loan assignment of the NP Shareholder Loan; (ii) the deed of tax indemnity to be given by P&R Holdings and the Guarantors in relation to the NP Hotel Transaction; (iii) the Interior Fit-Out Agency Deed; (iv) the hotel management agreement in relation to the management of the North Point Hotel by the Hotel Manager; (v) the NP Lease Agreement; and (vi) the lease guarantee to be given by the Company in relation to the aforesaid lease
“Option”	the grant of a call option by P&R Holdings to the Trustee entitling Regal REIT (or its trustee or nominee) in its sole discretion to acquire the entire issued share capital of Fortune Mine and to be assigned the NP Shareholder Loan
“Option Agreement”	the agreement dated 28 June 2013 entered into between the Company, the Manager, the Trustee, P&R Holdings and Paliburg in relation to the Option
“Option Fee”	a sum of HK\$10 million payable by the Trustee to P&R Holdings under the Option Agreement
“Option Period”	the period commencing from the date that the occupation permit for the North Point Hotel is granted (as notified by P&R Holdings to the Trustee) and ending 30 days from such date
“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)
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“Plentiful Group”	Plentiful Investments and its subsidiary
“Plentiful Investments”	Plentiful Investments Limited
“PRC”	the People’s Republic of China

DEFINITIONS

“P&R Holdings”	P&R Holdings Limited, a joint venture established and owned by a wholly-owned subsidiary of Paliburg and a wholly-owned subsidiary of the Company as to 50% each
“Refundable Cash Collateral”	a refundable sum of HK\$990 million payable by the Trustee to P&R Holdings under the Option Agreement
“Regal REIT”	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the SFO, the issued units of which are listed on the Main Board of the Stock Exchange (Stock Code: 1881)
“Regal REIT MTN Programme”	the US\$1 billion medium term note programme established by Regal REIT on 11 January 2013, details of which were set out in Regal REIT’s announcement dated 11 January 2013
“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC (as amended from time to time)
“Savills”	Savills Valuation and Professional Services Limited, the independent valuer in respect of the Hotels
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on Thursday, 18 July 2013 at 12:00 noon for the purpose of considering and, if thought fit, approving the SW Hotel Transaction and the Option
“Share Purchase Agreement”	the sale and purchase agreement dated 28 June 2013 entered into between the Company, the Manager, the Trustee, P&R Holdings and Paliburg in respect of the SW Hotel Transaction
“Shareholders”	holders of Shares
“Shares”	ordinary shares of par value HK\$0.10 each in the capital of the Company
“Sheung Wan Hotel”	a hotel located at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong
“sqm”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“SW Hotel Completion”	completion of the Share Purchase Agreement
“SW Hotel Purchase Price”	the consideration of HK\$1,580 million payable by the Trustee to P&R Holdings pursuant to the Share Purchase Agreement
“SW Hotel Transaction”	(a) the acquisition by the Trustee (acting on the instructions of the Manager) (or its nominee) of the entire issued share capital of Plentiful Investments; and (b) the assignment of the SW Shareholder Loan to the Trustee, on the terms and subject to the conditions of the Share Purchase Agreement
“SW Lease Agreement”	the lease agreement in respect of the lease of the Sheung Wan Hotel by the Lessee from the SW Property Company
“SW Property Company”	Tristan Limited, a wholly-owned subsidiary of Plentiful Investments
“SW Shareholder Loan”	all amounts due (including principal, interests and other sums (if any)), owing or payable by Plentiful Investments to P&R Holdings
“SW Transaction Documents”	collectively, (1) the Share Purchase Agreement; (2) the loan assignment of the SW Shareholder Loan; (3) the deed of tax indemnity to be given by P&R Holdings and the Guarantors in relation to the SW Hotel Transaction; (4) the Interior Fit-Out Agency Deed; (5) the hotel management agreement in respect of the management of the Sheung Wan Hotel by the Hotel Manager; (6) the SW Lease Agreement; and (7) the lease guarantee to be given by the Company in relation to the aforesaid lease
“Trust Deed”	the trust deed constituting Regal REIT dated 11 December 2006, entered into between the Trustee and the Manager, as supplemented by a first supplemental deed dated 2 March 2007, a second supplemental deed dated 15 May 2008, a third supplemental deed dated 8 May 2009, a fourth supplemental deed dated 23 July 2010, a fifth supplemental deed dated 3 May 2011 and a sixth supplemental deed dated 21 July 2011 all entered into between the same parties (as may be further amended and supplemented from time to time)
“Trustee”	DB Trustees (Hong Kong) Limited, in its capacity as trustee of Regal REIT
“Unitholders”	holders of the units of Regal REIT from time to time

DEFINITIONS

“Vendor Facility”	the two-year unsecured term loan facility under the Facility Letter, details of which are set out in the paragraph headed “Vendor Facility” in this circular
“Waiver Application”	the application for waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of Regal REIT’s new continuing connected transactions arising from the SW Hotel Transaction or the NP Hotel Transaction (as the case may be)

LETTER FROM THE BOARD



Executive Directors:

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

Registered Office:

26 Burnaby Street
Hamilton HM 11
Bermuda

Head Office and

Principal Place of Business:

11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

29 June 2013

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

SALE AND PURCHASE OF SHEUNG WAN HOTEL

AND

OPTION REGARDING SALE AND PURCHASE OF NORTH POINT HOTEL

INTRODUCTION

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

LETTER FROM THE BOARD

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

On 28 June 2013 (after trading hours), instead of entering into an option agreement for acquiring Plentiful Investments, P&R Holdings and the Trustee (in its capacity as trustee of Regal REIT), among other parties, entered into the Share Purchase Agreement pursuant to which the Trustee agreed to acquire the entire issued share capital of and the shareholder loans to Plentiful Investments for a consideration of HK\$1,580 million. On even date, P&R Holdings and the Trustee, among other parties, entered into the Option Agreement pursuant to which P&R Holdings will grant the Option to the Trustee entitling it to acquire the entire issued share capital of and the shareholder loans to Fortune Mine.

Regal REIT is a listed subsidiary of the Company. The SW Hotel Transaction and the Option in aggregate constitute a major transaction and a connected transaction for the Company subject to Independent Shareholders' approval under the Listing Rules. The SGM will be convened to seek Independent Shareholders' approval for the SW Hotel Transaction and the Option.

The purpose of this circular is to provide you with among others (i) information in relation to the SW Hotel Transaction and the Option; (ii) the letter of advice from the Independent Board Committee; (iii) the letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM to consider, and if thought fit, to approve the resolutions in relation to the SW Hotel Transaction and the Option.

SHEUNG WAN HOTEL TRANSACTION

The Share Purchase Agreement

Date: 28 June 2013

Parties:

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

LETTER FROM THE BOARD

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. As at the Latest Practicable Date, Paliburg, through its wholly-owned subsidiaries, held approximately 51.3% of the issued share capital of the Company. P&R Holdings is therefore a connected person of the Company.

Regal REIT is a listed subsidiary of the Company. As at the Latest Practicable Date, the Company held approximately 74.5% of the issued units of Regal REIT.

Assets to be acquired:

1. The entire issued share capital of Plentiful Investments
2. The SW Shareholder Loan as at the date of completion which amounted to HK\$245.6 million as at the Latest Practicable Date

Upon completion of the SW Hotel Transaction, Plentiful Investments will be wholly owned by Regal REIT and will become a subsidiary of the Company.

Consideration:

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

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

LETTER FROM THE BOARD

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

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

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

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

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

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

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

LETTER FROM THE BOARD

- Conditions precedent: The SW Hotel Completion is conditional upon the satisfaction or waiver of the following conditions:
- (a) each of the Guarantors and Century City, obtaining its shareholders' or independent shareholders' approval of the transactions contemplated under the Share Purchase Agreement in accordance with their respective articles of association or bye-laws and the Listing Rules (as the case may be);
 - (b) approval by the independent Unitholders of (i) the transactions contemplated under the Share Purchase Agreement and other transactions contemplated under, associated with and/or related to the SW Hotel Transaction; (ii) the transactions contemplated under the Facility Letter and other transactions contemplated under, associated with and/or related to the Vendor Facility; and (iii) the Waiver Application in accordance with the Trust Deed and REIT Code;
 - (c) the Manager being satisfied with the results of (i) its inspection and investigation as to the Plaintiff Group, including without limitation the financial, legal and contractual, taxation and trading position of the members of the Plaintiff Group and the title of the members of the Plaintiff Group to their respective assets (including, without limitation, the Sheung Wan Hotel), and (ii) its physical and technical inspection and investigation of the Sheung Wan Hotel as evidenced by the receipt of a building survey or other report in form and substance satisfactory to the Manager confirming that the building construction and finishes have been completed in compliance with the plans and specifications as set out in the Share Purchase Agreement;
 - (d) the Manager approving the title to the Sheung Wan Hotel and being satisfied that the SW Property Company has good marketable legal and beneficial title to the Sheung Wan Hotel (in accordance with the provisions of section 13 of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong));
 - (e) the occupation permit required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for the Sheung Wan Hotel having been obtained;

LETTER FROM THE BOARD

- (f) all necessary consents or waivers being granted by third parties (including any governmental or official authorities) in connection with the transactions contemplated under the SW Transaction Documents and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the entire issued share capital of Plentiful Investments, the assignment of the SW Shareholder Loan and/or the operation of the business by any member of the Plentiful Group after the SW Hotel Completion having been proposed, enacted or taken by any governmental or official authority;
- (g) the Trustee and the Manager being provided with such evidence as they may reasonably require confirming (to the satisfaction of the Manager and the Trustee) that all indebtedness under the existing bank loans of the Plentiful Group shall be discharged, all shares in the capital of Plentiful Investments and the SW Property Company shall be released from all encumbrances, and all other security created by Plentiful Investments and the SW Property Company in connection with such existing bank loan (including, without limitation, the existing mortgage) shall be released, on or before the SW Hotel Completion;
- (h) the warranties remaining true and accurate and not misleading in any material respect at the SW Hotel Completion;
- (i) each of P&R Holdings and the Guarantors having complied fully with certain customary pre-completion obligations and otherwise having performed in all material respects all of the covenants and agreements required to be performed by them under the SW Transaction Documents; and
- (j) no compulsory acquisition or resumption of the Sheung Wan Hotel and no notice of such intention received from any governmental authority.

LETTER FROM THE BOARD

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

SW Hotel Completion:

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

Construction undertakings:

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

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

LETTER FROM THE BOARD

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

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

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

Representations, warranties
and indemnity:

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

- (a) the Plentiful Group shall not, at completion of the SW Hotel Transaction, have any liabilities other than the SW Shareholder Loan that will also be acquired by the Trustee;
- (b) the members of the Plentiful Group shall, at completion of the SW Hotel Transaction, have no other operations other than the ownership of the Sheung Wan Hotel; and

LETTER FROM THE BOARD

- (c) the Sheung Wan Hotel shall, at completion of the SW Hotel Transaction, comply with the building specifications described below under the paragraph headed “Information on Plentiful Investments and the Sheung Wan Hotel”.

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

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

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

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

LETTER FROM THE BOARD

Undertaking by P&R Holdings

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

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

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

Each of the payments set out in (i) and (ii) above shall be payable by P&R Holdings to the Lessee within seven days after the receipt from the Lessee of a calculation schedule as certified by the auditors of the Lessee, save for any manifest mistake. After the end of the third year of the lease under the SW Lease Agreement, the Company will make an announcement if there is any shortfall. In the then next published annual report of the Company after the end of the third year of the lease under the SW Lease Agreement, the Company will include details in relation to the shortfall (if any) and the independent non-executive Directors will opine as to whether P&R Holdings has fulfilled its obligation to reimburse the shortfall (if any).

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

LETTER FROM THE BOARD

Information on Plentiful Investments and the Sheung Wan Hotel

Plentiful Investments was incorporated in the British Virgin Islands on 30 April 1992. In May 2011, P&R Holdings acquired the entire equity interest in and the then shareholder loan to Plentiful Investments at a consideration of HK\$455 million. The total estimated development costs of the Sheung Wan Hotel (including the aforesaid acquisition cost of Plentiful Investments and the Interior Fit-Out Programme) would be approximately HK\$727.0 million. The Plentiful Group is engaged in the investment and development of the Sheung Wan Hotel. The key specifications of the Sheung Wan Hotel are as follows.

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

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

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

LETTER FROM THE BOARD

OPTION TO ACQUIRE THE NORTH POINT HOTEL

The Option Agreement

Date: 28 June 2013

Parties:

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

Assets to be acquired upon exercise of the Option:

1. The entire issued share capital of Fortune Mine
2. The NP Shareholder Loan as at the date of completion which amounted to HK\$276.4 million as at the Latest Practicable Date

Upon completion of the acquisition of Fortune Mine pursuant to the exercise of the Option, Fortune Mine will be wholly owned by Regal REIT and will become a subsidiary of the Company.

Option Period: The Option may only be exercised during the period commencing from the date that the occupation permit for the North Point Hotel is granted (as notified by P&R Holdings to the Trustee) and ending 30 days from such date.

The Trustee (on behalf of Regal REIT and acting on the instructions of the Manager) has the sole discretion to exercise the Option during the Option Period.

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

- (a) each of Century City and Paliburg obtaining its shareholders' approval of the NP Hotel Transaction in accordance with their respective articles of association or bye-laws and the Listing Rules (as the case may be);
- (b) the Company obtaining Independent Shareholders' approval in respect of the grant of the Option; and

LETTER FROM THE BOARD

- (c) approval by the independent Unitholders of (i) the transactions contemplated by the NP Transaction Documents; (ii) the transactions contemplated under the Facility Letter and other transactions contemplated under, associated with and/or related to the Vendor Facility; and (iii) the Waiver Application in accordance with the Trust Deed and REIT Code.

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

Option Fee:

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

- (a) the occupation permit in respect of the North Point Hotel is not obtained by the Long Stop Date;
- (b) the Manager or Trustee is not satisfied with its due diligence in respect of the North Point Hotel;
- (c) the condition to the exercise of the Option has not been satisfied within three months from the date of the exercise notice (except where this is due to the fault of Regal REIT);
- (d) completion of the NP Hotel Transaction does not occur due to the fault of P&R Holdings;
- (e) the updated appraised value for the North Point Hotel is greater than HK\$2,000 million or lower than HK\$1,300 million and the Manager or Trustee decide not to proceed to seek additional approval of the independent Unitholders before exercising the Option; or
- (f) the Option Agreement is terminated by the Trustee on the grounds that (i) P&R Holdings and the Guarantors have committed a material breach of warranties or any other term set out in the Option Agreement; or (ii) Fortune Mine or the NP Property Company has committed a material breach of the negative covenants set out in the Option Agreement.

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

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

Refundable Cash
Collateral:

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

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

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

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

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

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

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

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

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

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

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

LETTER FROM THE BOARD

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

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

Conditions precedent to the exercise of the Option:

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

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

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

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If Regal REIT decides to exercise the Option, the Company will comply with the applicable Listing Rules in respect of the exercise of the Option including any further independent shareholders' approval as and when appropriate.

Expiry:

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

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

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

Construction undertakings:

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

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

Interior Fit-Out Programme:

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

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

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

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Representations, warranties
and indemnity:

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

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

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

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

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

Guarantee:

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

LETTER FROM THE BOARD

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

Undertaking by P&R Holdings

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

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

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

Each of the payments set out in (i) and (ii) above shall be payable by P&R Holdings to the Lessee within seven days after the receipt from the Lessee of a calculation schedule as certified by the auditors of the Lessee, save for any manifest mistake. If the Option is exercised, after the end of the third year of the lease under the NP Lease Agreement, the Company will make an announcement if there is any shortfall. In the then next published annual report of the Company after the end of the third year of the lease under the NP Lease Agreement, the Company will include details in relation to the shortfall (if any) and the independent non-executive Directors will opine as to whether P&R Holdings has fulfilled its obligation to reimburse the shortfall (if any).

LETTER FROM THE BOARD

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

Information on Fortune Mine and the North Point Hotel

Fortune Mine was incorporated in the British Virgin Islands on 23 May 2011. In August 2011, the NP Property Company acquired the land on which the North Point Hotel is being constructed at a consideration of HK\$459.3 million. The Fortune Group is engaged in the investment and development of the North Point Hotel. The key specifications of the North Point Hotel are as follows:

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

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

For the years ended 31 December 2011 and 2012, Fortune Mine did not report any revenue and recorded consolidated net loss (both before and after tax) of approximately HK\$41,000 and HK\$77,000 respectively. As at 31 December 2012, Fortune Mine had consolidated net liabilities (taking into account bank borrowings and shareholder’s loans) of approximately HK\$0.1 million. Before bank borrowings and the shareholder’s loans, Fortune Mine had consolidated net assets of approximately HK\$518.0 million as at 31 December 2012. The North Point Hotel was valued at HK\$1,650 million on an as-completed basis as at 25 June 2013. As agreed between the parties, the North Point Hotel is to be sold on an as-completed basis pursuant to which P&R Holdings shall complete the Interior Fit-Out Programme of the North Point Hotel and obtain the relevant hotel licence. As such, it is fair and reasonable that the North Point Hotel is valued on an as-completed basis.

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VENDOR FACILITY

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

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

RISK FACTORS IN RELATION TO THE TRANSACTIONS

There are risks and uncertainties as the Sheung Wan Hotel and the North Point Hotel are currently under development

As the Hotels are still currently being developed, there are certain risks involved including the following:

The completed Hotels may be inconsistent with the specifications provided in the Share Purchase Agreement or the Option Agreement

The Share Purchase Agreement provides the specifications to which the Sheung Wan Hotel is to be developed, and the Option Agreement provides the specifications to which the North Point Hotel is to be developed. Both the Share Purchase Agreement and the Option Agreement provide protections for Regal REIT in relation to compliance with these specifications. There are risks that the Hotels, when completed, are not consistent with those specifications which may materially affect the profitability of the Hotels. It may not be possible to ratify the inconsistencies, or such ratification will incur significant additional costs. Regal REIT's interests in the Hotels may be adversely affected (if it acquires the Hotels). Such risks would not have arisen had the acquisition of the Hotels been made after the development of the Hotels has already been completed.

The due diligence survey on the Hotels prior to completion of the Share Purchase Agreement or the Option Agreement may not have identified all material defects, breaches of laws and regulations and other deficiencies

One of the conditions precedent to completion of the Share Purchase Agreement or the Option Agreement (as the case may be) is that the Manager would have to be satisfied with the physical and technical inspection and investigation of the relevant Hotel. Nevertheless, there can be no assurance that such reviews, surveys or inspections (or the relevant review, survey or inspection reports on

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which Regal REIT or the Manager have relied upon to proceed to completion of the Share Purchase Agreement or the Option Agreement) would have revealed all defects or deficiencies or all breaches of laws and regulations affecting the relevant Hotel. Whilst Regal REIT may sue for damages, it may not be compensated or may not be compensated sufficiently, and the operations of the relevant Hotel and the returns to Regal REIT may be adversely affected.

The Interior Fit-Out Programmes involve fit-out work and may not be completed on schedule

Although P&R Holdings has undertaken to complete, at its own cost (including any cost overruns), the Interior Fit-Out Programmes pursuant to the Share Purchase Agreement and the Option Agreement, the Interior Fit-Out Programmes may not be completed on schedule, due to reasons outside the control of P&R Holdings. The values appraised by Savills in respect of the Sheung Wan Hotel and the North Point Hotel represent the value of the Hotels as if the relevant Interior Fit-Out Programme has already been completed. The Share Purchase Agreement and the Option Agreement confer various rights on the Manager and the Trustee in the event that the relevant Interior Fit-Out Programme is not completed in accordance with terms set out therein. However, in such circumstances, the operation of the Hotels may be delayed or disrupted. Although for the period from the completion of the SW Hotel Transaction or the NP Hotel Transaction (as the case may be) until completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the Sheung Wan Hotel or the North Point Hotel (as the case may be), P&R Holdings shall reimburse the Lessee in full the amount (including rent) payable by the Lessee to the SW Property Company under the SW Lease Agreement or to the NP Property Company under the NP Lease Agreement (as the case may be), such delay may extend the initial start-up risk phase of the Hotels.

The Hotels have no operating history. Shareholders and prospective investors should be aware that there may be an initial start-up risk associated with each of the Hotels

The Hotels are newly developed and have no operating history. Accordingly, investors should be aware that there may be an initial start-up risk associated with each of the Hotels.

There are risks to leveraging and limitations on Regal REIT's ability to leverage

Regal REIT is expected to use leverage in connection with the SW Hotel Transaction and the NP Hotel Transaction and its other investments. In addition, Regal REIT may, from time to time, require additional debt financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. Borrowings by Regal REIT are limited by the REIT Code to no more than 45% (or such other limit as may be stipulated under the REIT Code or as may be specifically permitted by the SFC) of the total gross asset value of all the assets of Regal REIT as set out in Regal REIT's latest published accounts immediately prior to such borrowing being effected, subject to certain adjustments. If the 45% borrowing limit is exceeded, the Manager shall use its best endeavours to reduce the excess borrowings while not incurring further borrowings. Where the interests of the Unitholders will not be prejudiced, the Manager may dispose of Regal REIT's assets in order to pay off part of the borrowings unless the overshooting of the borrowing limit results from a decrease in the market value of the assets. If a downward revaluation of any of the Hotels occurs in the future, Regal REIT may exceed the 45% borrowing limit even without incurring any additional

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borrowing. Therefore, there can be no assurance that Regal REIT's borrowings will remain at all times below the 45% borrowing limit, following any revaluation of assets or otherwise. From time to time, Regal REIT may need to draw down on its banking facilities and use overdrafts, but may be unable to do so due to the 45% borrowing limit prescribed by the REIT Code.

Further, the equity or debt financing to be provided to Regal REIT may be on terms that are not favourable to Regal REIT. The availability of borrowings and access to the capital markets for financing depends on prevailing market conditions and the acceptability of the financing terms offered. Regal REIT's ability to arrange for external financing and the cost of such financing depends on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in Regal REIT and success of Regal REIT's business.

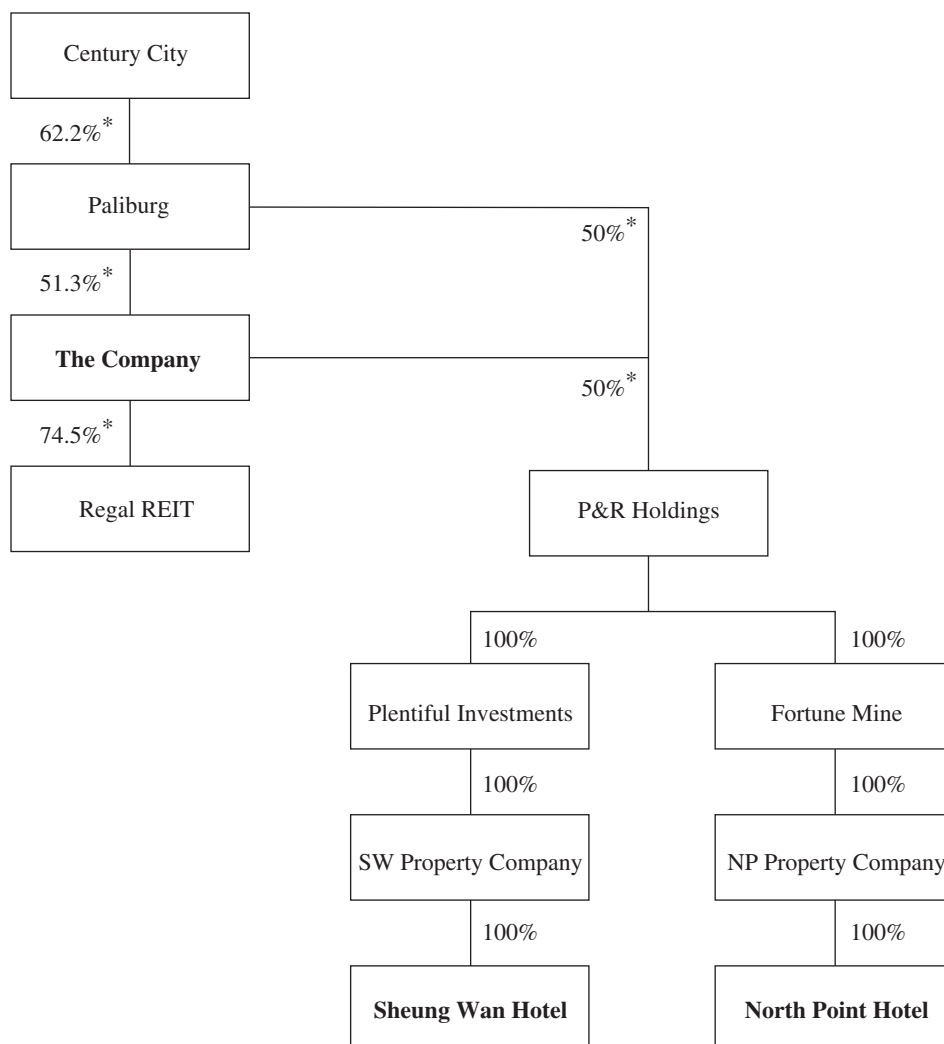
Failure by P&R Holdings, the Guarantors and/or other counterparties to fulfill their obligations under the SW Transaction Documents and/or the NP Transaction Documents, such as any failure to refund the Deposit and Refundable Cash Collateral which are not held in escrow, may have a material adverse effect on Regal REIT's operations

Under the SW Transaction Documents and the NP Transaction Documents, P&R Holdings, the Guarantors and/or other counterparties have made (or will make) several commitments in favour of Regal REIT, including but not limited to the refund of the Deposit and/or Refundable Cash Collateral (and any interest accrued and unpaid), which are not held in escrow in certain circumstances. Failure by such parties to fulfill any of the obligations in the SW Transaction Documents and/or the NP Transaction Documents may have a material adverse effect on Regal REIT's operations.

LETTER FROM THE BOARD

SHAREHOLDING CHART IN RELATION TO THE HOTELS

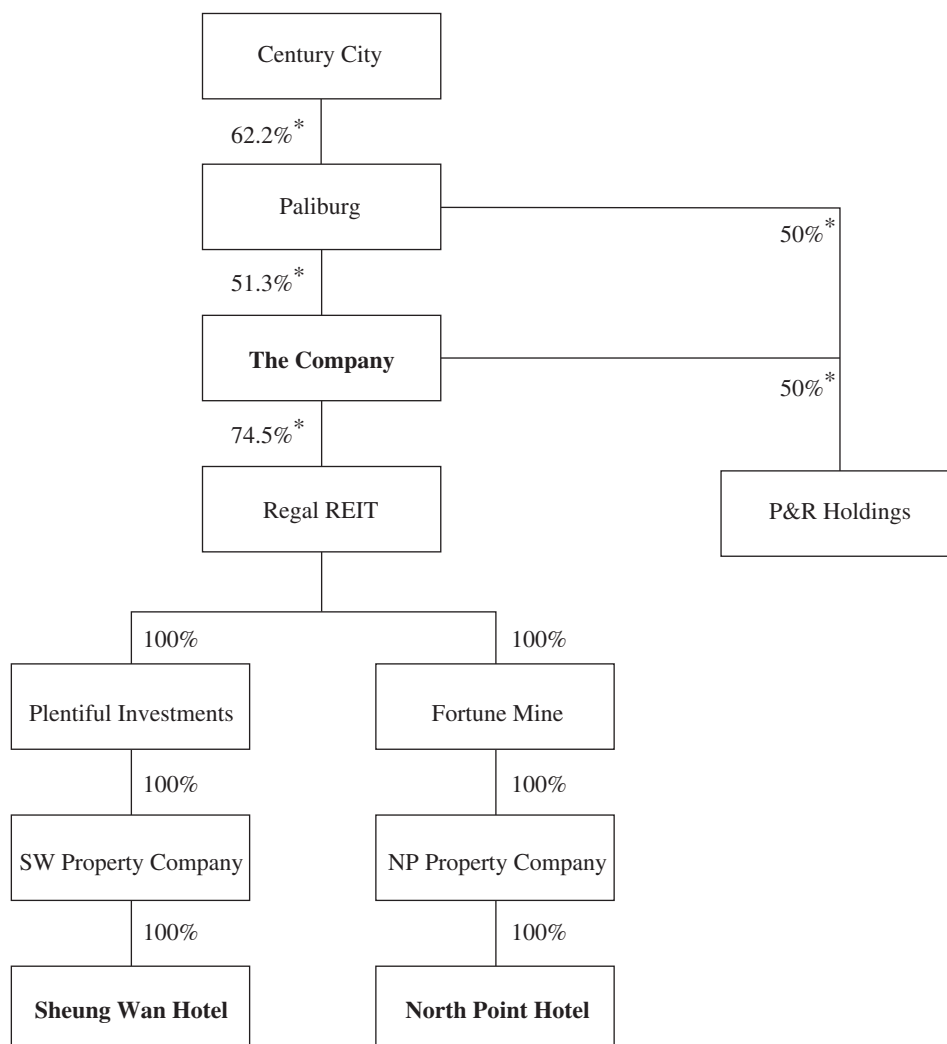
Below is a chart showing the present shareholding interests in Plentiful Investments and Fortune Mine:



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

LETTER FROM THE BOARD

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



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

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in hotel ownership through Regal REIT, and 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. A listed subsidiary of the Company, Regal REIT, was owned as to approximately 74.5% by the Company as at the Latest Practicable Date. Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the SFO and its units have been listed on the Stock Exchange since 30 March 2007. Its principal activity is to own and invest in income-producing hotels, hospitality-related properties and other commercial properties with the objectives of producing stable and growing distributions to the unitholders of Regal REIT and to achieve long-term growth in the net asset value per unit of Regal REIT. The Manager is a wholly-owned subsidiary of the Company and is the manager to Regal REIT.

LETTER FROM THE BOARD

P&R Holdings is engaged in development of properties for sale and/or leasing. It holds the entire equity interest in the Plentiful Group which in turn owns the Sheung Wan Hotel and the entire equity interest in the Fortune Group which in turn owns the North Point Hotel. P&R Holdings is owned as to 50% by each of the Company and Paliburg. Paliburg together with its subsidiaries are principally engaged in property investment and development, construction and building related businesses, securities and other investments, (through the Group) hotel operation and management, and asset management of Regal REIT, and (through Regal REIT) hotel ownership.

The development of the Sheung Wan Hotel is expected to be completed in the fourth quarter of 2013. Pursuant to the Share Purchase Agreement, Regal REIT, a 74.5%-owned subsidiary of the Company, will acquire the entire equity interest in and the shareholder's loans to the Plentiful Group which owns the Sheung Wan Hotel at a price determined with reference to an independent valuation on the hotel. The Group will manage and operate the Sheung Wan Hotel following obtaining the relevant hotel licences. The Directors consider that the SW Hotel Transaction provides an opportunity for the Group (through Regal REIT) to consolidate its interest in the Sheung Wan Hotel which will be managed and operated by the Group.

The development of the North Point Hotel is expected to be completed in the second quarter of 2014. Pursuant to the Option Agreement, the Group (through Regal REIT) will be granted an option to acquire the entire equity interest in and the shareholder's loans to the Fortune Group which owns the North Point Hotel at a price to be determined with reference to an independent valuation on the hotel. The Group will manage and operate the North Point Hotel following obtaining the relevant hotel licences for the North Point Hotel. The Directors consider that the Option Agreement provides an opportunity for the Group (through Regal REIT) to secure a right to consolidate its interest in the North Point Hotel which will be managed and operated by the Group.

The Directors (including the independent non-executive Directors who are members of the Independent Board Committee) consider that the terms of the SW Hotel Transaction and the Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACTS OF THE TRANSACTIONS

The Company holds a 50% equity interest in P&R Holdings which holds the entire equity interest in the Plentiful Group which in turn owns the Sheung Wan Hotel. The Plentiful Group is accounted for by the Company as a jointly controlled entity using equity method of accounting in the consolidated financial statements of the Company. Upon completion of the SW Hotel Transaction, the Plentiful Group will become a subsidiary group of the Company and the financial results of the Plentiful Group will be consolidated into the consolidated financial statements of the Company on a line-by-line basis. The Group will manage and operate the Sheung Wan Hotel following obtaining the relevant hotel licences and the operating results of the Sheung Wan Hotel will be consolidated into the consolidated results of the Group. During the period from the SW Hotel Completion until completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the Sheung Wan Hotel, P&R Holdings has undertaken to reimburse the Lessee (a wholly-owned subsidiary of the Company) the amount (including rent) payable by the Lessee to the SW Property Company under the SW Lease Agreement. During the period from completion of the Interior Fit-Out Programme and obtaining the relevant hotel licences for the Sheung Wan Hotel until the end of the third year of the lease under the

LETTER FROM THE BOARD

SW Lease Agreement, P&R Holdings has undertaken to reimburse any shortfall of the Sheung Wan Hotel's net income below the amount (including rent) payable by the Lessee to the SW Property Company under the SW Lease Agreement for the aforesaid period. The Group (through Regal REIT) will make deposit payments for the SW Hotel Transaction which will generate interest income for the Group while such deposit payments and the remaining consideration for the SW Hotel Transaction will be funded by among others the proceeds from the issue of the Notes pursuant to the Regal REIT MTN Programme, existing and/or new bank facilities secured against the Sheung Wan Hotel and/or other assets held by Regal REIT and/or the Vendor Facility incurring interest expenses for the Group.

The Company's 50%-owned P&R Holdings holds the entire equity interest in the Fortune Group which owns the North Point Hotel. Upon completion of the grant of the Option to Regal REIT, the Fortune Group will continue to be accounted for by the Company as a jointly controlled entity using equity method of accounting in the consolidated financial statements of the Company. In addition to paying the Option Fee, the Group (through Regal REIT) will make Refundable Cash Collateral payments which will generate interest income for the Group while the Option Fee will be funded by the internal resources of Regal REIT and the Refundable Cash Collateral will be funded by the proceeds from the issue of the Notes pursuant to the Regal REIT MTN Programme incurring interest expenses for the Group.

Appendix III to this circular sets out further information in respect of the pro forma assets and liabilities of the Enlarged Group.

LISTING RULES IMPLICATION OF THE SW HOTEL TRANSACTION AND THE OPTION

Paliburg, through its wholly-owned subsidiaries, held approximately 51.3% of the issued share capital of the Company as at the Latest Practicable Date. 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. Regal REIT is a listed subsidiary of the Company. As at the Latest Practicable Date, the Company held approximately 74.5% of the issued units of Regal REIT. Based on the applicable percentage ratios, the SW Hotel Transaction and the Option in aggregate constitute a major transaction and a connected transaction for the Company subject to Independent Shareholders' approval under the Listing Rules. The Company will comply with the applicable Listing Rules in respect of the exercise of the Option including obtaining independent shareholders' approval as and when appropriate.

Mr. LO Yuk Sui, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To, Miss LO Po Man and Mr. Kenneth NG Kwai Kai (all being executive Directors) are executive directors of Paliburg and Century City while Mr. NG Siu Chan and Mr. WONG Chi Keung (both being independent non-executive Directors) are independent non-executive directors of Paliburg and Century City. All of these Directors have abstained from voting on the relevant board resolutions relating to the SW Hotel Transaction and the Option.

LETTER FROM THE BOARD

The Company has established the Independent Board Committee comprising Ms. Alice KAN Lai Kuen and Professor Japhet Sebastian LAW (both being independent non-executive Directors), to advise the Independent Shareholders in respect of the SW Hotel Transaction and the Option. As Mr. NG Siu Chan and Mr. WONG Chi Keung, both independent non-executive Directors, are also independent non-executive directors of Paliburg which is the immediate listed holding company of P&R Holdings, they are not members of the Independent Board Committee.

SPECIAL GENERAL MEETING

A notice convening the SGM, at which ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the SW Hotel Transaction and the Option, is contained on pages 113 to 115 of this circular.

In accordance with Rule 13.39(4) of the Listing Rules and the bye-laws of the Company, the voting of shareholders at the SGM will be taken by poll. Mr. LO Yuk Sui, Century City, Paliburg and their respective associates in aggregate holding and entitled to exercise control over the voting rights in respect of 495,120,161 Shares (representing approximately 51.36% of the issued Shares) as at the Latest Practicable Date will abstain from voting at the SGM. Apart from Mr. LO Yuk Sui, Century City, Paliburg and their respective associates, as at the Latest Practicable Date, no other Shareholders had a material interest in the SW Hotel Transaction and the Option (other than their interests as Shareholders). The results of the poll will be published on the websites of the Company and the Stock Exchange.

RECOMMENDATION

The Directors (including the independent non-executive Directors who are members of the Independent Board Committee) consider that the terms of the SW Hotel Transaction and the Option are fair and reasonable and in the interests of the Shareholders and the Company as a whole. The Independent Board Committee recommends all the Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the SGM to approve the SW Hotel Transaction and the Option.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



29 June 2013

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
SALE AND PURCHASE OF SHEUNG WAN HOTEL
AND
OPTION REGARDING SALE AND PURCHASE OF NORTH POINT HOTEL

INTRODUCTION

We refer to the circular of the Company dated 29 June 2013 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Share Purchase Agreement and the Option Agreement and the transactions contemplated thereunder. Ample Capital 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 their advice, are set out on pages 39 to 62 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 appendix thereto.

RECOMMENDATION

Having considered the terms of the Share Purchase Agreement and the Option Agreement, the transactions contemplated thereunder and taking into account the independent advice of Ample Capital set out in its letter on pages 39 to 62 of the Circular and the relevant information contained in the letter from the Board, we consider that the Share Purchase Agreement, the Option Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that you vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Share Purchase Agreement, the Option Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Alice KAN Lai Kuen

Independent non-executive Director

Japhet Sebastian LAW

Independent non-executive Director

LETTER FROM AMPLE CAPITAL

The following is the full text of the letter from Ample Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

AmCap
Ample Capital Limited
豐盛融資有限公司

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

29 June 2013

To: the Independent Board Committee and
the Independent Shareholders of
Regal Hotels International Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION SALE AND PURCHASE OF SHEUNG WAN HOTEL AND OPTION REGARDING SALE AND PURCHASE OF NORTH POINT HOTEL

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the SW Hotel Transaction; and (ii) the Option; details of which are set out in the “Letter from the Board” in the circular dated 29 June 2013 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

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

LETTER FROM AMPLE CAPITAL

On 28 June 2013 (after trading hours), instead of entering into an option agreement for acquiring Plentiful Investments, P&R Holdings and the Trustee (in its capacity as trustee of Regal REIT), among other parties, entered into the Share Purchase Agreement pursuant to which the Trustee agreed to acquire the entire issued share capital of and the shareholder loans to Plentiful Investments for a consideration of HK\$1,580 million subject to a customary adjustment on a dollar-for-dollar basis for the current assets (such as all receivables, refundable utility and other deposits placed with relevant authorities or suppliers and all cash and deposits at bank) of the Plentiful Group as at the SW Hotel Completion, provided that such current assets adjustment will be capped at HK\$1.5 million (the “**Adjustment**”). On even date, P&R Holdings and the Trustee, among other parties, entered into the Option Agreement pursuant to which P&R Holdings will grant the Option to the Trustee entitling it to acquire the entire issued share capital of and the shareholder loans to Fortune Mine.

Paliburg, through its wholly-owned subsidiaries, held approximately 51.3% of the issued share capital of the Company as at the Latest Practicable Date. 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. Regal REIT is a listed subsidiary of the Company. As at the Latest Practicable Date, the Company held approximately 74.5% of the issued units of Regal REIT. Based on the applicable percentage ratios, the SW Hotel Transaction and the Option in aggregate constitute a major transaction and a connected transaction for the Company subject to Independent Shareholders’ approval under the Listing Rules. The SGM will be convened to seek Independent Shareholders’ approval for the SW Hotel Transaction and the Option. The Company will comply with the applicable Listing Rules in respect of the exercise of the Option including obtaining independent shareholders’ approval as and when appropriate.

In accordance with Rule 13.39(4) of the Listing Rules and the bye-laws of the Company, the voting of shareholders at the SGM will be taken by poll. Mr. LO Yuk Sui, Century City, Paliburg and their respective associates in aggregate holding and entitled to exercise control over the voting rights in respect of 495,120,161 Shares (representing approximately 51.36% of the issued Shares) as at the Latest Practicable Date will abstain from voting at the SGM. Apart from Mr. LO Yuk Sui, Century City, Paliburg and their respective associates, as at the Latest Practicable Date, no other Shareholders had a material interest in the SW Hotel Transaction and the Option (other than their interests as Shareholders).

Mr. LO Yuk Sui, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To, Miss LO Po Man and Mr. Kenneth NG Kwai Kai (all being executive Directors) are executive directors of Paliburg and Century City while Mr. NG Siu Chan and Mr. WONG Chi Keung (both being independent non-executive Directors) are independent non-executive directors of Paliburg and Century City. All of these Directors have abstained from voting on the relevant board resolutions relating to the SW Hotel Transaction and the Option.

LETTER FROM AMPLE CAPITAL

The Company has established the Independent Board Committee comprising Ms. Alice KAN Lai Kuen and Professor Japhet Sebastian LAW (both being independent non-executive Directors), to advise the Independent Shareholders in respect of the SW Hotel Transaction and the Option. As Mr. NG Siu Chan and Mr. WONG Chi Keung, both independent non-executive Directors, are also independent non-executive directors of Paliburg which is the immediate listed holding company of P&R Holdings, they are not members of the Independent Board Committee.

We, Ample Capital Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the SW Hotel Transaction and the Option (together, the “**Transactions**”) are fair and reasonable so far as the Independent Shareholders are concerned and as to how the Independent Shareholders should vote at the SGM.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the announcements of the Company in relation to the Transactions, the Circular, the Share Purchase Agreement, the Option Agreement and the valuation report on the Sheung Wan Hotel (the “**Valuation Report**”) as set out in Appendix IV to the Circular prepared by Savills (the “**Valuer**”), which is an independent property valuer, and the annual reports of the Company. Based on the foregoing, we consider that we have taken all reasonable steps, which are applicable to the Transactions contemplated under the Share Purchase Agreement and the Option Agreement in forming our opinion. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation which are in compliance with Rule 13.80 of the Listing Rules. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Group (the “**Management**”) regarding the Transactions, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and remain valid throughout the period commencing from the Latest Practicable Date to the date of the SGM and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Group in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of the Share Purchase Agreement and the Option Agreement to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group or the Valuation Report. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

LETTER FROM AMPLE CAPITAL

BACKGROUND AND REASONS FOR THE TRANSACTIONS

The Group is principally engaged in hotel ownership through 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. The table and graphs below set out the financial information of the Group for the four financial years ended 31 December 2012.

	Year ended 31 December			
	2009	2010	2011	2012
Revenue	1,381	1,503	2,037	2,331
Net asset value per Share attributable to equity holders of the parent		<i>In HK\$</i>		
- Book	4.43	11.51	11.53	12.17
- Adjusted ¹	11.14	12.48	14.80	18.27

Note 1: On an adjusted basis to restate the Group's hotel property portfolio at its market value as at relevant year ends with the relevant deferred tax liabilities added back.

For the four years ended 31 December 2012, the Group's revenue experienced a steady growth from HK\$1,381 million in 2009 to HK\$2,331 million in 2012. During the same period, net asset value per Share also grew steadily from HK\$4.43 per Share to HK\$12.17 per Share (book value) or from HK\$11.14 per Share to HK\$18.27 per Share (market value).

During the year ended 31 December 2012, the five Regal Hotels in Hong Kong have all achieved steady progress. The combined average occupancy rate for these five hotels was 90.0% and the average room rate increased by 12.0% year-on-year. Total gross operating profits for these five hotels for the year ended 31 December 2012 amounted to approximately HK\$958.0 million, an increase of approximately 16.4% over the comparative amount of HK\$822.7 million attained in 2011. The Regal iClub Hotel in Wanchai (the "**Wanchai Regal iClub Hotel**"), which is owned and self-operated by Regal REIT, continued to achieve satisfactory results, with average occupancy rate being maintained at a high level of 97.4% and the average room rate improving by 4.2% year-on-year. To further strengthen the marketing platform and to enhance business efficiency, a new centralised hotel property management system connecting all the six hotels in Hong Kong is being implemented, which is expected to be completed in phases before the end of next year. All the six Regal Hotels in Hong Kong are managed by the Hotel Manager, a wholly owned subsidiary of the Company.

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

LETTER FROM AMPLE CAPITAL

The Group is optimistic on the continuing prospects of the tourism and hotel markets in Hong Kong and, jointly with Regal REIT, are committed to maintaining its position as one of the pre-eminent hotel groups in Hong Kong. Through P&R Holdings, the Group is developing four new hotels in Hong Kong. Although there will be quite a number of new hotels that will come on stream in Hong Kong over the course of the next few years, many of those new hotels are of relatively smaller sizes or are located in non-traditional business or tourist districts. The Group believes that it has distinctive competitive advantages over such new hotels due to its operational efficiencies attained through economies of scale as well as its broad hotel network and well-established marketing platform.

When Regal REIT was separately listed from the Group in 2007 to become the first listed hospitality real estate investment trust in Hong Kong, it has always been intended that the Group will act as a key provider of potential acquisition targets to Regal REIT when it implements its plans to expand its properties portfolio. In January 2013, Regal REIT itself established a US\$1 billion Medium Term Note Programme as a funding platform to finance its planned expansion and has at the same time, P&R Holdings and the Manager (in its capacity as manager of Regal REIT) entered into a memorandum of understanding pursuant to which P&R Holdings proposed to grant call options to the Manager entitling Regal REIT (or its trustee or nominee) to acquire the entire issued share capital of and the shareholder loans to Plentiful Investments (which, through its wholly-owned subsidiary, owns the Sheung Wan Hotel) and the entire issued share capital of and the shareholder loans to Fortune Mine (which, through its wholly-owned subsidiary, owns the North Point Hotel).

On 28 June 2013 (after trading hours), instead of entering into an option agreement for acquiring Plentiful Investments, P&R Holdings and the Trustee (in its capacity as trustee of Regal REIT), among other parties, entered into the Share Purchase Agreement pursuant to which the Trustee agreed to acquire the entire issued share capital of and the shareholder loans to Plentiful Investments for a consideration of HK\$1,580 million subject to the Adjustment. On even date, P&R Holdings and the Trustee, among other parties, entered into the Option Agreement pursuant to which P&R Holdings will grant the Option to the Trustee entitling it to acquire the entire issued share capital of and the shareholder loans to Fortune Mine.

The development of the Sheung Wan Hotel and the North Point Hotel are expected to be completed in the fourth quarter of 2013 and the second quarter of 2014 respectively. The Directors consider that the SW Hotel Transaction and the Option Agreement provide opportunities for the Group (through Regal REIT) to consolidate its interest in the Sheung Wan Hotel and the North Point Hotel which will be managed and operated by the Group.

As confirmed by the Management, it believes the SW Hotel Transaction and the Option are in line with the Group's expansion plan and the Group is committed to, through Regal REIT, further investing in its core hotel and property businesses with an objective to achieve continuing growth.

The Directors (including the independent non-executive Directors who are members of the Independent Board Committee) consider that the terms of the SW Hotel Transaction and the Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM AMPLE CAPITAL

SHEUNG WAN HOTEL TRANSACTION

1. Principal terms of the Share Purchase Agreement

We set out below extracts of principal terms of the Share Purchase Agreement. Please refer to Section headed “Sheung Wan Hotel Transaction” of the “Letter from the Board” of the Circular for details.

Date:	28 June 2013
Parties:	Vendor: P&R Holdings, owned as to 50% by a wholly-owned subsidiary of the Company and 50% by a wholly-owned subsidiary of Paliburg (as a connected person of the Company)
	Purchaser: Trustee, in its capacity as trustee and on behalf of Regal REIT (as part of the Group)
	Guarantors: Paliburg and the Company, the obligations of P&R Holdings under the Share Purchase Agreement are guaranteed by each of the Guarantors on a several basis in equal proportions
	Manager: Regal Portfolio Management Limited, in its capacity as manager of Regal REIT, a wholly-owned subsidiary of the Company
Assets to be acquired:	<ol style="list-style-type: none">1. The entire issued share capital of Plentiful Investments2. The SW Shareholder Loan as at the date of completion which amounted to HK\$245.6 million as at the Latest Practicable Date

LETTER FROM AMPLE CAPITAL

Plentiful Investments, through its wholly-owned subsidiary, the SW Property Company, is engaged in the investment and development of the Sheung Wan Hotel. Development of the Sheung Wan Hotel commenced in 2011 and is expected to be completed in fourth quarter of 2013. It is expected that the operation of the Sheung Wan Hotel will commence in or around the first quarter of 2014 and will be managed and operated by the Group. The Hotel is located at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong with “iclub by Regal” hotel standard. It has 34 storeys with 248 guestrooms and suites. During the period commencing from the SW Hotel Completion until P&R Holdings having completed the Interior Fit-Out Programme for the Sheung Wan Hotel and having handed over the relevant hotel licence, P&R Holdings shall reimburse the Lessee in full the amount (including rent) payable by the Lessee to the SW Property Company under the SW Lease Agreement. For information of the Independent Shareholders, the estimated total costs of the Sheung Wan Hotel (including the Interior Fit-Out Programme) to P&R Holdings is approximately HK\$727.0 million as per note (5) to the unaudited pro forma financial information set out in Appendix III to the Circular. We do not consider such original cost to be relevant in arriving at our conclusion regarding the SW Hotel Transaction since, as discussed with the Valuer, the original cost may not necessarily reflect the current market value of the Sheung Wan Hotel.

Consideration:

HK\$1,580 million subject to the Adjustment i.e. a customary adjustment on a dollar-for-dollar basis for the current assets (such as all receivables, refundable utility and other deposits placed with relevant authorities or suppliers and all cash and deposits at bank) of the Plentiful Group as at the SW Hotel Completion, provided that such current assets adjustment will be capped at HK\$1.5 million.

As at 31 December 2012, the current assets of the Plentiful Group amounted to HK\$0.1 million. Apart from the Sheung Wan Hotel and the current assets, the Plentiful Group does not hold any other assets. P&R Holdings will notify the Trustee of the adjustment for current assets shortly prior to the SW Hotel Completion, and provide evidence to the Trustee in respect of the same. P&R Holdings and the Guarantors have warranted that the Plentiful Group shall not have any liabilities other than the SW Shareholder Loan at the SW Hotel Completion.

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

LETTER FROM AMPLE CAPITAL

Deposit and payment terms:

Deposit of HK\$948 million paid by the Trustee to P&R Holding in cash will be refundable in full upon termination of the Share Purchase Agreement. P&R Holdings shall pay interest quarterly on the Deposit at the higher of:

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

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

The Guarantors have guaranteed the obligations of P&R Holdings pursuant to the Share Purchase Agreement, and this would include the refund of such Deposit.

Construction undertaking:

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

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

LETTER FROM AMPLE CAPITAL

Interior Fit-Out Programme:	P&R Holdings undertakes that it shall complete (or procure the completion of), at its sole cost (estimated to be approximately HK\$75.2 million) and expense, the Interior Fit-Out Programme, in accordance with certain specifications, fittings and fixtures approved by the Manager in advance and all necessary government consents, permits, approvals and licences shall be obtained, so that such part of the premises can be fit and lawful for letting to hotel guests and other occupants, and otherwise in a condition satisfactory to the Manager.
Representations, Warranties and Indemnity:	P&R Holdings and the Guarantors have undertaken to indemnify Regal REIT and the Plentiful Group for any loss, damages, costs (including legal costs), expenses and other liabilities which Regal REIT or the Plentiful Group may suffer as a result of any breach of the warranties.
Deed of tax indemnity:	P&R Holdings and the Guarantors will at the completion of the SW Hotel Transaction enter into a deed of tax indemnity in favour of the Trustee and the Plentiful Group that they will indemnify on demand the respective beneficiaries in respect of, among other things, any liability for taxation resulting from or by reference to any event occurring on or before the completion of the SW Hotel Transaction or in respect of any income, profits or gains earned, accrued or received by the Plentiful Group on or before the completion of the SW Hotel Transaction.

We have reviewed the Share Purchase Agreement and discussed with the Management, we note that:

- (i) according to the Hong Kong Tourism Demand Forecasting System done by the Hong Kong Polytechnic University, the number of international tourist arrivals to Hong Kong is forecasted to increase by 10.18% per year on average in the period 2012-2020. With such a projected growth rate, the total inbound tourist arrivals to Hong Kong will reach 95 million by 2020 from 36 million in 2010 (*source: <http://www.tourismforecasting.net>*). As the location of the Sheung Wan Hotel offers convenient access to core business districts as well as major shopping and tourist areas. The tram line on Des Voeux Road West and the Sheung Wan MTR Station are within walking distance from the hotel, which is also accessible by taxi, buses and minibuses. As such we concur the view of the Management that the Sheung Wan Hotel is expected to benefit from the forecasted increase in tourist arrivals to Hong Kong;
- (ii) As the consideration was determined with reference to an independent valuation of the Sheung Wan Hotel as of 25 June 2013, we concur that consideration was determined after arm's length negotiation between Regal REIT, a listed and non-wholly owned subsidiary of the Company, and P&R Holdings, a connected person of the Company owned as to 50% by each of Paliburg and the Group. Please refer to "2. Basis of the SW Hotel Purchase Price" below for more details;

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- (iii) the Deposit payable by the Group to P&R Holdings will be refundable in full upon termination of the Share Purchase Agreement, and interest will be paid by P&R Holdings on the Deposit at no less than the weighted average effective interest cost of the Group's financing instrument used to finance the Deposit;
- (iv) P&R Holdings has undertaken that it will ensure the completion of (a) the building construction works in a proper and workmanlike manner in accordance with the relevant building plans & specification and all applicable laws and regulations; and (b) the Interior Fit-Out Programme, in accordance with agreed specifications, fittings and fixtures; and
- (v) P&R Holdings and the Guarantors have undertaken to indemnify Regal REIT for any loss, damages, costs (including legal costs), expenses and other liabilities which Regal REIT may suffer as a result of any breach of the warranties. They will also indemnify Regal REIT any liability for taxation resulting from any event occurring or any income accrued or received by Regal REIT on or before the completion of the SW Hotel Transaction.

In view of the above, we believe that the Share Purchase Agreement is on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2. Basis of the SW Hotel Purchase Price

In the course of assessing the fairness of the respective appraised value of the Sheung Wan Hotel as stated in the Valuation Report prepared by the Valuer, we note that the signatory of the Valuation Report is a Chartered Estate Surveyor with about 28 years' experience in the valuation of properties in Hong Kong and the PRC. In addition, we have also (i) obtained the relevant qualifications of the signatory of the Valuer and note that he is a qualified surveyor; (ii) obtained the recent track record of the signatory of the Valuation Report and note that he has participated in the valuation of not less than 14 hotels in Hong Kong since 2011; (iii) inquired the Valuer on its current or prior relationships with the Company, P&R Holdings and their connected persons and note that save for certain valuation engagements previously carried out for Regal REIT in its capacity as principal valuer of Regal REIT, the Valuer has no other relationship with the aforementioned parties; (iv) reviewed the Valuer's scope of work and did not note anything out of the ordinary; and (v) reviewed and discussed with the Valuer the methodology, basis and assumptions adopted for the valuation of the Sheung Wan Hotel and did not note anything out of the ordinary. We note that the Valuer has adopted the income capitalization (discounted cash flow analysis) and counter-checked by the direct comparison approach in the valuation of the Sheung Wan Hotel.

As the hotel will be held for long term investment, the Valuer adopted a 10-year projection time frame in its discounted cash flow analysis. The income and expenses for the next ten years from the date of valuation are itemized and projected annually taking into account the expected growth (or decline) of incomes and expenses. The net cash flow over the ten-year period is discounted at a discount rate. The hotels are hypothetically assumed to be sold at the end of the ten years period. The net cash flow of each property from the 11th year onward to the unexpired term of the Government lease is capitalized at a terminal yield expected for this type of property investment in the market. Due consideration has been given to the expectation of the renewal of the Government lease upon expiry.

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We note that the Valuation Report has been made on the assumption that the Property is subject to the SW Lease Agreement made between members of the Group. Under the SW Lease Agreement, the Lessee, a wholly-owned subsidiary of the Company, will lease from Regal REIT the Sheung Wan Hotel and is obliged to pay rental (the “**Rental**”) of approximately HK\$79 million, HK\$83.15 million and HK\$86.9 million for each of the first three years of the lease (or 5% for the first year, 5.25% for the second year and 5.5% for the third year of the SW Hotel Purchase Price (i.e. HK\$1,580 million)). The Valuer has used the Rental for the first three years in its discounted cash flow analysis. In order to ensure that income to be received by the Lessee from the operation of the Sheung Wan Hotel would at least meet the rental expenses under the SW Lease Agreement during the first three years of the Sheung Wan Hotel’s operations, P&R Holdings has, pursuant to an undertaking dated 28 June 2013 (please refer to the section headed “Undertaking by P&R Holdings” of the “Letter from the Board” for more details), undertaken to reimburse the Group with an amount which is equal to the difference between the Rental and the actual hotel operating income for the first three years of the Sheung Wan Hotel’s operations (the “**Reimbursement**”).

The Sheung Wan Hotel will be operated under the “iclub by Regal” brand. As advised by the Management, the Wanchai Regal iClub Hotel is similar to the Sheung Wan Hotel (in completed state) in terms of market positioning, class and scale, and they are both located in well-developed areas in the proximity to core business districts on Hong Kong Island. Therefore, we have compared the operating results and other parameters of the Wanchai Regal iClub Hotel during the year ended 31 December 2012 with the cash flow projections prepared by the Valuer. We note that the revenue and expenses projections of the Sheung Wan Hotel are generally in line with those of the Wanchai Regal iClub Hotel. Therefore, we consider that such projections are reasonable.

Direct comparison approach is used as a reference check for the valuation arrived from discounted cash flow analysis where comparable sale transactions around the date of valuation are collected and analyzed in term of a price per square foot. Appropriate adjustments are applied to the comparable transactions to adjust for the discrepancies between the hotel and the comparables.

We believe that the discounted cash flow analysis is reasonable valuation approach for assessing the market value of the Sheung Wan Hotel as they are income-producing properties. It is also appropriate to use direct comparison approach to reference check so as to directly compare the valuations of the hotel with the market comparable transactions to ensure that the valuations are reasonable.

We note from the Valuation Report that the Sheung Wan Hotel was valued on an “as-completed” basis. As advised by the Management, the Sheung Wan Hotel is currently under development as at the Latest Practicable Date. We note from the “Letter from the Board” that P&R Holdings undertakes that following the SW Hotel Completion, it shall complete, or procure the completion of, the Interior Fit-Out Programme at its sole cost and expense. The estimated costs for such works are HK\$75.2 million. The Management has also advised us that the Interior Fit-Out Programme (together with other construction works, the cost of which are borne by P&R Holdings) constitutes the remaining development works of the Sheung Wan Hotel and upon completion of the Interior Fit-Out Programme by P&R Holdings, development of the Sheung Wan Hotel will be completed and commercial

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operations may commence shortly thereafter. Since the cost of the remaining development of the Sheung Wan Hotel (i.e. the Interior Fit-Out Programme) will be borne by P&R Holdings, we are of the view that it is reasonable for the Valuer to conduct the valuation of the Sheung Wan Hotel on an “as-completed” basis.

The valuation of the Sheung Wan Hotel as stated in the Valuation Report is HK\$1,580 million, an amount which is equivalent to the SW Hotel Purchase Price. As per the accountants’ report of the Plentiful Group set out in Appendix II to the Circular, we note that as at 31 December 2012, it had audited consolidated total assets, total liabilities and net assets of approximately HK\$452.2 million, HK\$449.8 million and HK\$2.5 million respectively. In particular, the Plentiful Group had amount due to the immediate holding company (i.e. SW Shareholder Loan) and interest bearing bank borrowing of approximately HK\$221.8 million and HK\$224.8 million respectively as at 31 December 2012. We note from the “Letter from the Board” that P&R Holdings and the Guarantors have warranted that the Plentiful Group shall not have any liabilities other than the SW Shareholder Loan (which will be assigned to the Trustee) at the SW Hotel Completion. Furthermore, under conditions precedent (g) as stated in the “Letter from the Board”, the SW Hotel Completion is subject to the Trustee and the Manager being provided with evidence that all indebtedness under the existing bank loans of the Plentiful Group shall be discharged. Having considered the aforementioned terms of the SW Hotel Transaction, we expect that the future net assets of the Plentiful Group will substantially reflect the valuation of the Sheung Wan Hotel after (i) SW Hotel Completion; and (ii) inclusion of the valuation of the Sheung Wan Hotel in the Plentiful Group’s future financial statements. Accordingly, we do not consider it appropriate to consider the Plentiful Group’s net asset value as at 31 December 2012 when arriving at our conclusion regarding the SW Hotel Purchase Price.

Having considered the above factors, we are of the view that (i) the valuation for the Sheung Wan Hotel together with the Reimbursement; and (ii) the SW Hotel Purchase Price are, as a whole, fair and reasonable as far as the Company and the Shareholders are concerned.

3. Benefits of the SW Hotel Transaction to the Shareholders

We concur the view of the Management that the SW Hotel Transaction will bring the following benefits to the Shareholders:

- (i) the investment in the Sheung Wan Hotel will grow the scale of the Group and increase the appraised value of the existing portfolio of Regal REIT (the Group’s hotel property holding arm) by approximately 7.5% (from approximately HK\$21,032 million as at 31 December 2012 to approximately HK\$22,612 million). Such increase in scale may broaden and enlarge the Group’s income base, as well as improve the Group’s economies of scale. The addition of the new hotel to the Group’s existing portfolio of six hotel properties may also enhance the Group’s market positioning and profile, and consequentially, further improve the Group’s attractiveness among a wider group of investors;

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- (ii) the Sheung Wan Hotel will be operated under the “iclub by Regal” brand. It is the Manager’s view that the SW Hotel Transaction and operating the new hotel under the “iclub by Regal” brand are consistent with the investment policy and strategy of the Group, and will continue to enhance the brand name of “iclub by Regal” since the full operation of Wanchai Regal iClub Hotel commenced in December 2010; and
- (iii) the Deposit will accrue interest income for Regal REIT at a rate that is equal to or greater than the weighted average effective interest cost to Regal REIT in respect of any debt financing instrument used to finance that instalment of Deposit, thus resulting in a neutral or positive interest carry in respect of such funds once they are applied towards such instalment.

In March 2013, Business Monitor International has stated in its Hong Kong Tourism Report Q2 2013 that there is strong investment potential offered by the Hong Kong tourism market, based primarily on strong regional demand, and the possibilities for long term growth. Tourism to Hong Kong has experienced strong growth in recent years and it is expected this trend to continue over the forecast period up to 2017. Arrivals were up almost 15% in 2012 compared to 2011, and it is forecasted that the total arrivals figure will reach over 70 million per year by 2017. Therefore, it is expected that the Sheung Wan Hotel will also benefit from the increasing trend of the mainland China tourist arrivals in the coming years. In view of the above, we believe that the SW Hotel Transaction is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

THE OPTION TO ACQUIRE NORTH POINT HOTEL

1. Principal Terms of the Option Agreement

We set out below extracts of principal terms of the Option Agreement. Please refer to the paragraph headed “Option to Acquire the North Point Hotel” of the “Letter from the Board” of the Circular for details.

Date:	28 June 2013
Parties:	Grantor: P&R Holdings
	Grantee: Trustee, in its capacity as trustee and on behalf of Regal REIT
	Guarantors: Paliburg and the Company, the obligations of P&R Holdings under the Option Agreement are guaranteed by each of the Guarantors on a several basis in equal proportions
	Manager: Regal Portfolio Management Limited, in its capacity as manager of Regal REIT, a wholly-owned subsidiary of the Company

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- Assets to be acquired upon exercise of the Option:
1. The entire issued share capital of Fortune Mine
 2. The NP Shareholder Loan as at the date of completion which amounted to HK\$276.4 million as at the Latest Practicable Date

Fortune Mine, through its wholly owned subsidiary NP Property Company, is engaged in the investment and development of the North Point Hotel. Development of the North Point Hotel commenced in 2011. The superstructure works of the hotel are in progress. The North Point Hotel is located at Nos. 14-20 Merlin Street, North Point, Hong Kong with “iclub by Regal” hotel standard. It has 32 storeys with 338 guestrooms and suites. It is expected that the operation of the hotel will commence in around the third quarter of 2014 and will be managed and operated by the Group. During the period commencing from the completion of the NP Hotel Transaction until P&R Holdings having completed the Interior Fit-Out Programme for the North Point Hotel and having handed over the relevant hotel licence, P&R Holdings shall reimburse the Lessee in full the amount (including rent) payable by the Lessee to the NP Property Company under the NP Lease Agreement. The Company will as and when appropriate comply with the applicable requirements of the Listing Rules in respect of such lease arrangement if the Option is exercised.

- Option Period:
- The Option may only be exercised during the period commencing from the date that the occupation permit for the North Point Hotel is granted (as notified by P&R Holdings to the Trustee) and ending 30 days from such date.

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

- (a) the occupation permit in respect of the North Point Hotel is not obtained by the Long Stop Date;
- (b) the Manager or Trustee is not satisfied with its due diligence in respect of the North Point Hotel;
- (c) the condition to the exercise of the Option has not been satisfied within three months from the date of the exercise notice (except where this is due to the fault of Regal REIT);
- (d) completion of the NP Hotel Transaction does not occur due to the fault of P&R Holdings;

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- (e) the updated appraised value for the North Point Hotel is greater than HK\$2,000 million or lower than HK\$1,300 million and the Manager or Trustee decides not to proceed to seek additional approval of the independent Unitholders before exercising the Option; or
- (f) the Option Agreement is terminated by the Trustee on the grounds that (i) P&R Holdings and the Guarantors have committed a material breach of warranties or any other term set out in the Option Agreement; or (ii) Fortune Mine or the NP Property Company has committed a material breach of the negative covenants set out in the Option Agreement.

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

The option fee was determined after arm’s length negotiation between the parties taking into account the timing of the Option Period, the initial exercise price of the Option and the adjustments to the Option initial exercise price as set out under the section headed “Option Agreement” in the “Letter from the Board”.

Refundable Cash
Collateral:

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

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

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

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

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

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

Option exercise price: The initial exercise price payable by the Trustee to P&R Holdings is HK\$1,650 million (the “**Initial Exercise Price**”), which was determined with reference to the valuation of the North Point Hotel on an as-completed basis of HK\$1,650 million as of 25 June 2013 as appraised by the Valuer and completion of the Interior Fit-Out Programme of the North Point Hotel taking into account that the NP Shareholder Loan is to be acquired by Regal REIT pursuant to the NP Hotel Transaction (upon exercise of the Option) and that the Fortune Group shall not have any liabilities other than the NP Shareholder Loan at completion of the NP Hotel Transaction. The Directors consider that the Option initial exercise price and its basis are fair and reasonable.

Option exercise price adjustment: An updated valuation (by the Valuer) will be conducted as of the last month end date before the grant of the occupation permit for the North Point Hotel. The Initial Exercise Price shall be adjusted as follows:

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

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

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

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

At the completion of the NP Hotel Transaction, the Option Fee and the Refundable Cash Collateral and any of its accrued and unpaid interest will be applied to settle part of the adjusted Final Exercise Price.

Expiry:

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

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

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

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Construction undertakings:	<p>P&R Holdings and the Guarantors (on a several basis in equal proportions) shall procure the NP Property Company to cause its building contractors to promptly and diligently proceed with and complete the building construction works in a proper and workmanlike manner in accordance with the relevant building contract plans and specifications and all applicable laws and regulations. The building contract plans and specifications are to be consistent with the plans and specifications as set out in the Option Agreement, and no deviation from such specifications is to be made without the Manager's prior written approval. The key specifications of the North Point Hotel are set out in the paragraph headed "Information on Fortune Mine and the North Point Hotel" in the "Letter from the Board".</p> <p>Each of P&R Holdings and the Guarantors (on a several basis in equal proportions) has undertaken to indemnify the Trustee, Fortune Mine and the NP Property Company in respect of losses which may be incurred by any of them arising out of or in connection with the failure by P&R Holdings or the Guarantors to comply with any of their obligations under this construction undertaking.</p>
Interior Fit-Out Programme:	<p>P&R has undertaken that it will execute and complete (or procure the completion of) at its sole cost (estimated to be approximately HK\$99.3 million) and expense, the Interior Fit-Out Programme, in accordance with certain specifications, fittings and fixtures approved by the Manager in advance and all necessary government consents, permits, approvals and licences shall be obtained, so that such part of the premises can be fit and lawful for letting to hotel guests and other occupants, and otherwise in a condition satisfactory to the Manager.</p>
Representations, Warranties and Indemnity:	<p>P&R Holdings and the Guarantors have undertaken to indemnify Regal REIT and the Fortune Group for any loss, damages, costs (including legal costs), expenses and other liabilities which Regal REIT or the Fortune Group may suffer as a result of any breach of the warranties.</p>
Deed of tax indemnity:	<p>P&R Holdings and the Guarantors will at the completion of the NP Hotel Transaction enter into a deed of tax indemnity in favour of the Trustee and the Fortune Group that they will indemnify on demand the respective beneficiaries in respect of, among other things, any liability for taxation resulting from or by reference to any event occurring on or before the completion of the NP Hotel Transaction or in respect of any income, profits or gains earned, accrued or received by the Fortune Group on or before the completion of the NP Hotel Transaction.</p>

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We have reviewed the Option Agreement and discussed with the Management, we note that:

- (i) according to the Hong Kong Tourism Demand Forecasting System done by the Hong Kong Polytechnic University, the number of international tourist arrivals to Hong Kong is forecasted to increase by 10.18% per year on average in the period 2012-2020. With such a projected growth rate, the total inbound tourist arrivals to Hong Kong will reach 95 million by 2020 from 36 million in 2010 (*source: <http://www.tourismforecasting.net>*). The North Point Hotel is located in North Point, one of the key decentralised business districts and a well-established residential area on Hong Kong Island. North Point benefits from extensive transport links such as the Eastern Corridor, providing convenient access to other districts on the Hong Kong Island. The North Point Hotel is within a five-minute walk from the Fortress Hill MTR Station. It is also accessible by taxi, bus and tram. As such we concur the view of the Management that the North Point Hotel is expected to benefit from the forecasted increase in tourist arrivals to Hong Kong;
- (ii) the Option initial exercise price of HK\$1,650 million is subject to adjustment based on an updated valuation of the North Point Hotel as appraised by the Valuer as of the last month end date before the grant of the occupation permit for the North Point Hotel. Please refer to “2. The Option Exercise Price” below for more details;
- (iii) the Option Fee of HK\$10 million represents only about 0.6% of the initial exercise price. It is refundable in the circumstances as stated in “the principal terms of Option Agreement” above. The Option Fee can also be used to offset the exercise price payable if the Option is duly exercised. Therefore, in certain degree, it is in a form of a “deposit”. We understand that the initial deposit for a property transaction is normally about 10% of the total transaction cost under the current market practice. In view of the above, we believe that the Option Fee which represents less than 1% of the initial exercise price is fair and reasonable so far as the Company and the Independent Shareholders are concerned;
- (iv) The development of the North Point Hotel is expected to complete in the second quarter of 2014, which is about one year from now. The Option has given the Group the right to make the acquisition decision upon the completion of North Point Hotel depending on the then market conditions and other factors such as whether there are other better acquisition opportunities available. Furthermore, if the updated appraised value is lower than the initial appraised value, then the exercise price will be adjusted downward to the updated appraised value. In the event that the updated appraised value is higher than the initial appraised value, the exercise price will be adjusted to the average of the updated appraised value and initial appraised value. Therefore, we believe the Option has reduced the Group’s investment risk exposure and is beneficial to the Group and the Shareholders as a whole;
- (v) in the event that the updated appraised value of the North Point Hotel exceeds HK\$2,000 million or falls below HK\$1,300 million, the Option will expire and the Option Fee will be refunded. However, if the parties to the Option Agreement mutually agree that the Option shall not automatically expire, the Company shall seek independent shareholders’ approval and the Manager shall seek additional approval of the independent Unitholders in respect of the exercise of the Option;

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- (vi) the Refundable Cash Collateral will be refundable in full upon the earlier of: (i) the expiry of the Option Period; (ii) the termination of the Option Agreement; and (iii) completion of the NP Hotel Transaction and interest will be paid by P&R Holdings on the aggregate Refundable Cash Collateral at no less than the weighted average effective interest cost of the Group's financing instrument used to finance the Refundable Cash Collateral;
- (vii) P&R Holdings has undertaken that it will ensure the completion of (a) the building construction works in a proper and workmanlike manner in accordance with the relevant building plans and specifications and all applicable laws and regulations; and (b) the Interior Fit-Out Programme, in accordance with agreed specifications, fittings and fixtures; and
- (viii) P&R Holdings and the Guarantors have undertaken to indemnify Regal REIT for any loss, damages, costs (including legal costs), expenses and other liabilities which Regal REIT may suffer as a result of any breach of the warranties. They will also indemnify Regal REIT any liability for taxation resulting from any event occurring or any income accrued or received by Regal REIT on or before the completion of the NP Hotel Transaction.

In view of the above, we believe that the Option Agreement is on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2. The Option Exercise Price

As discussed earlier, the Initial Exercise Price of HK\$1,650 million was determined with reference to the valuation of the North Point Hotel on an "as-completed" basis as of 25 June 2013 as appraised by the Valuer and the Final Exercise Price shall be adjusted as per the adjustment mechanism as discussed above.

An updated valuation will be conducted by the Valuer as of the last month end date before the grant of the occupation permit in respect of the North Point Hotel. The exercise price shall be adjusted according to the Option Agreement. In the event that the Group decides to exercise the Option to acquire the North Point Hotel after assessing the market conditions and the updated appraisal value, the Company shall seek the Independent Shareholders' approval. In the event that the updated appraised value for the North Point Hotel is greater than HK\$2,000 million or lower than HK\$1,300 million and the parties to the Option Agreement mutually agree that the Option shall not automatically expire, Regal REIT shall seek additional approval of the independent Unitholders.

Based on information provided by the Management, the Fortune Group had audited consolidated total assets, total liabilities and net liabilities of approximately HK\$519.8 million, HK\$519.9 million and HK\$0.1 million as at 31 December 2012. In particular, the Fortune Group had amount due to immediate holding company (i.e. NP Shareholder Loan) and interest bearing bank borrowing of approximately HK\$260.9 million and HK\$257.2 million respectively as at 31 December 2012. We note from the "Letter from the Board" that P&R Holdings and the Guarantors have warranted in the Option Agreement that the Fortune Group shall not have any liabilities other than the NP Shareholder Loan (which will be assigned to the Trustee) at completion of the NP Hotel Transaction. Having considered the aforementioned term of the Option Agreement, we expect that the future net

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assets of the Fortune Group will substantially reflect the updated valuation of the North Point Hotel after (i) completion of the NP Hotel Transaction; and (ii) inclusion of the updated valuation of the North Point Hotel in the Fortune Group's future financial statements. Accordingly, we do not consider it appropriate to consider the Fortune Group's net asset value as at 31 December 2012 when arriving at our conclusion regarding the Option exercise price.

Having considered the above factors, we are of the view that the Initial Exercise Price and the Final Exercise Price of the Option are, as a whole, fair and reasonable as far as the Company and the Shareholders are concerned.

3. Benefits of the Option to the Shareholders

We concur the view of the Management that the Option Agreement will bring the following benefits to the Shareholders:

- (i) the Option Agreement provides the Group with flexibility as the exercise price adjustment mechanism ensures that the Final Exercise Price will be at or below prevailing market valuation (as assessed by the Valuer);
- (ii) the investment in the North Point Hotel will grow the scale of the Group. Upon exercise of the Option, the investment in the North Point Hotel would increase the appraised value of the existing portfolio of Regal REIT (the Group's hotel property holding arm) by approximately 7.8% (from HK\$21,032 million as at 31 December 2012 to HK\$22,682 million based on Initial Exercise Price). Such increase in scale may broaden and enlarge the Group's income base, as well as improve the Group's economies of scale. The addition of the new hotel to the Group's existing portfolio of six hotel properties may also enhance the Group's market positioning and profile, and consequentially, further improve the Group's attractiveness among a wider group of investors;
- (iii) the North Point Hotel will be operated under the "iclub by Regal" brand. It is the Manager's view that the NP Hotel Transaction and operating the new hotel under the "iclub by Regal" brand are consistent with the investment policy and strategy of the Group and will continue to enhance the brand name of "iclub by Regal" since the full operation of Wanchai Regal iClub Hotel commenced in December 2010;
- (iv) the Refundable Cash Collateral will accrue interest income for Regal REIT at a rate that is equal to or greater than the weighted average effective interest cost to Regal REIT in respect of any debt financing instrument used to finance that instalment of Refundable Cash Collateral, thus resulting in a neutral or positive interest carry in respect of such funds once they are applied towards such instalment; and
- (v) the Company shall seek the Independent Shareholders' approval and in the event that the updated appraised value for the North Point Hotel is greater than HK\$2,000 million or lower than HK\$1,300 million, Regal REIT shall seek additional approval of the

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independent Unitholders in respect of the exercise of the Option. So, the Independent Shareholders have the right to vote as to whether the Group should exercise the Option to purchase the North Point Hotel upon its completion which is expected to be in the second quarter of 2014.

VENDOR FACILITY

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

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

FINANCIAL IMPACT OF THE TRANSACTIONS

The Company holds a 50% equity interest in P&R Holdings which holds the entire equity interest in the Plentiful Group which in turn owns the Sheung Wan Hotel. The Plentiful Group is accounted for by the Company as a jointly controlled entity using equity method of accounting in the consolidated financial statements of the Company. Upon completion of the SW Hotel Transaction, the Plentiful Group will become a subsidiary group of the Company and the financial results of the Plentiful Group will be consolidated into the consolidated financial statements of the Company on a line-by-line basis. The Group will manage and operate the Sheung Wan Hotel following obtaining the relevant hotel licences and the operating results of the Sheung Wan Hotel will be consolidated into the consolidated results of the Group. During the period from the SW Hotel Completion until completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the Sheung Wan Hotel, P&R Holdings has undertaken to reimburse the Lessee (a wholly-owned subsidiary of the Company) the amount (including rent) payable by the Lessee to the SW Property Company under the SW Lease Agreement. During the period from completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the Sheung Wan Hotel until the end of the third year of the lease under the SW Lease Agreement, P&R Holdings has undertaken to reimburse any shortfall of the Sheung Wan Hotel's net income below the amount (including rent) payable by the Lessee to the SW Property Company under the SW Lease Agreement for the aforesaid period. The Group (through Regal REIT) will make deposit payments for the SW Hotel Transaction which will generate interest income for the Group while such deposit payments and the remaining consideration for the SW Hotel Transaction will be funded by among others the proceeds from the issue of the Notes pursuant to the Regal REIT MTN Programme, existing and/or new bank facilities secured against the Sheung Wan Hotel and/or other assets held by Regal REIT and/or the Vendor Facility incurring interest expenses for the Group.

LETTER FROM AMPLE CAPITAL

The Company's 50%-owned P&R Holdings holds the entire equity interest in the Fortune Group which owns the North Point Hotel. Upon completion of the grant of the Option to Regal REIT, the Fortune Group will continue to be accounted for by the Company as a jointly controlled entity using equity method of accounting in the consolidated financial statements of the Company. In addition to paying the Option Fee, the Group (through Regal REIT) will make Refundable Cash Collateral payments which will generate interest income for the Group while the Option Fee will be funded by the internal resources of Regal REIT and the Refundable Cash Collateral will be funded by the proceeds from the issue of the Notes pursuant to the Regal REIT MTN Programme incurring interest expenses for the Group.

We set out below the unaudited pro forma assets and liabilities of the Enlarged Group as at 31 December 2012 as extracted from Appendix III to the Circular:

	The Group as at 31 December 2012 <i>HK\$' million</i> <i>(Audited)</i>	Unaudited pro forma of the Enlarged Group <i>HK\$' million</i> <i>(Unaudited)</i>
Total cash and bank balances	2,731	2,718
Total assets	21,796	23,376
Net debt (total borrowings net of cash and bank balances)	4,421	6,013
Net asset value	13,148	13,148
Gearing ratio (Net debt/total assets)	20.3%	25.7%

1. Net Assets

The net asset value of the Group as at 31 December 2012 amounted to approximately HK\$13,148 million which is the same as the unaudited pro forma net asset value of the Enlarged Group. Therefore, the Transactions are not expected to have any significant impact on the Group's net asset value as at 31 December 2012.

2. Gearing

The Group's gearing ratio (net debt/total assets) as at 31 December 2012 was approximately 20.3%. After combining the financial statements of the Group and the Plentiful Group as well as taking into account of the pro forma adjustments in relation to the Transactions, the unaudited pro forma gearing ratio of the Enlarged Group would be 25.7%, representing an approximately 26.6% increase.

3. Liquidity

A total of HK\$1,580 million plus the Adjustment of not more than HK\$1.5 million of the consideration of the SW Hotel Transaction will be satisfied by non-current bank and other borrowings

LETTER FROM AMPLE CAPITAL

namely (i) the issuance of medium term notes under the Regal REIT MTN Programme; and (ii) new bank facilities secured against the Sheung Wan Hotel and/or other assets held by Regal REIT. The Option fee of HK\$10 million will be settled in cash, together with the payment and capitalization of the estimated directly attributable costs in relation to the SW Hotel Transaction, the Group's total cash and bank balances will decrease from about HK\$2,731 million to HK\$2,718 million, representing an approximately 0.5% decrease. Accordingly, we believe that the Transactions will not have any significant impact on the Group's liquidity.

4. Earnings

As P&R Holdings has agreed with the Reimbursement under which it will reimburse the Group with the amount which is equal to the difference between the rental under the SW Lease Agreement and the actual hotel operating income for the first three years. Therefore, the income to be generated from the Sheung Wan Hotel is expected to be not less than 5% for the first year, 5.25% for the second year and 5.5% for the third year of the SW Hotel Purchase Price (i.e. HK\$1,580 million). The Management expects that Regal REIT's effective interest cost in respect of the debt financing used to finance the SW Hotel Transaction will be in the range of 4-5% per annum. Therefore, we believe that the SW Hotel Transaction may have a slight positive impact on the Group's earnings during the Sheung Wan Hotel's first three years of operations.

Under the Option Agreement, the Group is required to pay the refundable Option Fee of HK\$10 million which represents less than 2% of the Group's consolidated profit attributable to shareholders for the year ended 31 December 2012. Besides, the Group is also required to make Refundable Cash Collateral which will generate interest income and such income is able to cover the interest expenses incurred from the issue of the Notes pursuant to the Regal REIT to finance the Refundable Cash Collateral. Therefore, we believe that the Option Agreement will not have any significant impact on the Group's earning.

It should be noted that the aforementioned analysis is for illustrative purpose only and does not purport to represent how the Group's financial position will be upon completion of the Transactions.

RECOMMENDATION

Having considered the aforesaid principal factors, we are of the view that the terms of the SW Hotel Transaction and the Option are, as a whole, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the proposed resolution to approve the Transactions in the upcoming SGM.

Yours faithfully,
For and on behalf of
Ample Capital Limited
Jenny Chan
President of Investment Banking

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

Financial information of the Group for each of the years ended 31 December 2010, 2011 and 2012 is disclosed on pages 65 to 157 of the annual report of the Company for the year ended 31 December 2010, pages 59 to 152 of the annual report of the Company for the year ended 31 December 2011 and pages 67 to 159 of the annual report of the Company for the year ended 31 December 2012, all of which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.regal.com.hk).

INDEBTEDNESS

As at the close of business on 31 May 2013, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding borrowings of approximately HK\$9,402.8 million which represented (i) bank loans of HK\$5,134.0 million secured by certain of the Enlarged Group's property, plant and equipment, investment properties and properties held for sale, and (ii) unsecured notes of US\$300.0 million (approximately HK\$2,329.2 million) issued under a US\$1,000.0 million medium term note programme of the Company, and (iii) unsecured notes of HK\$775.0 million and US\$150.0 million (approximately HK\$1,164.6 million) issued under the Regal REIT MTN Programme.

As at the close of business on 31 May 2013, the Enlarged Group had contingent liabilities relating to corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a jointly controlled entity of approximately HK\$407.3 million, of which only approximately HK\$204.3 million were utilised.

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

FINANCIAL AND TRADING PROSPECTS

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

The Group is optimistic on the continuing prospects of the tourism and hotel markets in Hong Kong and, jointly with Regal REIT, are committed to maintaining its position as one of the pre-eminent hotel groups in Hong Kong. Through P&R Holdings, the Group is developing four new hotels in Hong Kong, including the Sheung Wan Hotel and North Point Hotel. Although there will

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

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

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

WORKING CAPITAL

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

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

A. ACCOUNTANTS' REPORT IN RESPECT OF THE PLENTIFUL GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, from Ernst & Young, Certified Public Accountants.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 June, 2013

The Directors
Regal Hotels International Holdings Limited
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

Dear Sirs

We set out below our report on the financial information of Plentiful Investments Limited (“Plentiful Investments”) and its subsidiary, Tristan Limited (the “SW Property Company”) (hereinafter collectively referred to as the “Plentiful Group”) comprising the consolidated statements of comprehensive income and consolidated statements of changes in equity for each of the years ended 31st December, 2010, 2011 and 2012 (the “Relevant Periods”), the consolidated statements of cash flows for each of the years ended 31st December, 2011 and 2012, and the consolidated statements of financial position of the Plentiful Group as at 31st December, 2010, 2011 and 2012, together with the notes thereto (the “Financial Information”) prepared on the basis of preparation set out in note 2.2 of section II below, for the inclusion in the circular of Regal Hotels International Holdings Limited (“RHIHL”) in connection with (i) the proposed acquisition of the entire issued share capital of Plentiful Investments by DB Trustees (Hong Kong) Limited (“Trustee”), in its capacity as trustee of Regal Real Estate Investment Trust; and (ii) assignment to the Trustee of all amounts owing by Plentiful Investments to P&R Holdings Limited (“P&R Holdings”).

Plentiful Investments was incorporated in the British Virgin Islands with limited liability on 30th April, 1992. The SW Property Company, a company incorporated in Hong Kong with limited liability on 21st July, 1992, is a wholly-owned subsidiary of Plentiful Investments. The principal activity of Plentiful Investments is investment holding and the principal activity of the Plentiful Group is property development. Plentiful Investments and the SW Property Company have adopted 31st December as their financial year end date.

As at the date of this report, no statutory financial statements have been prepared for Plentiful Investments as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. The statutory financial statements of the SW Property Company

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

for each of the years ended 31st December, 2010, 2011 and 2012 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) were audited by us.

For the purpose of this report, the directors of Plentiful Investments (the “Directors”) have prepared the consolidated financial statements of the Plentiful Group (the “Underlying Financial Statements”) in accordance with HKFRSs. The Underlying Financial Statements for each of the years ended 31st December, 2010, 2011 and 2012 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors’ responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Plentiful Group as at 31st December, 2010, 2011 and 2012 and of the consolidated results and cash flows of the Plentiful Group for each of the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

I. FINANCIAL INFORMATION**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<i>Notes</i>	2010 <i>HK\$</i>	2011 <i>HK\$</i>	2012 <i>HK\$</i>
REVENUE	3	—	—	—
Administrative expenses		<u>(275,390)</u>	<u>(171,887)</u>	<u>(126,123)</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	4	<u><u>(275,390)</u></u>	<u><u>(171,887)</u></u>	<u><u>(126,123)</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	2010 <i>HK\$</i>	2011 <i>HK\$</i>	2012 <i>HK\$</i>
NON-CURRENT ASSETS				
Property, plant and equipment	8	—	401,935,355	452,106,377
Deposit for purchase of property		36,000,000	—	—
Other deposit		75,000	—	—
Total non-current assets		<u>36,075,000</u>	<u>401,935,355</u>	<u>452,106,377</u>
CURRENT ASSETS				
Deposit		—	—	68,000
Bank balances		—	21,962	70,885
Total current assets		<u>—</u>	<u>21,962</u>	<u>138,885</u>
CURRENT LIABILITIES				
Creditors and accruals		<u>(25,000)</u>	<u>(1,803,116)</u>	<u>(3,207,671)</u>
NET CURRENT LIABILITIES		<u>(25,000)</u>	<u>(1,781,154)</u>	<u>(3,068,786)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>36,050,000</u>	<u>400,154,201</u>	<u>449,037,591</u>
NON-CURRENT LIABILITIES				
Amount due to the immediate holding company	11(b)	—	(219,463,269)	(221,794,696)
Amount due to the former immediate holding company	11(b)	(33,259,912)	—	—
Interest bearing bank borrowing	9	—	(178,072,731)	(224,750,817)
Total non-current liabilities		<u>(33,259,912)</u>	<u>(397,536,000)</u>	<u>(446,545,513)</u>
Net assets		<u>2,790,088</u>	<u>2,618,201</u>	<u>2,492,078</u>
EQUITY				
Issued capital	10	8	8	8
Retained profits		<u>2,790,080</u>	<u>2,618,193</u>	<u>2,492,070</u>
Total equity		<u>2,790,088</u>	<u>2,618,201</u>	<u>2,492,078</u>

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital <i>HK\$</i>	Retained profits <i>HK\$</i>	Total equity <i>HK\$</i>
At 1st January, 2010	8	3,065,470	3,065,478
Loss and total comprehensive loss for the year	—	(275,390)	(275,390)
At 31st December, 2010 and 1st January, 2011	8	2,790,080	2,790,088
Loss and total comprehensive loss for the year	—	(171,887)	(171,887)
At 31st December, 2011 and 1st January, 2012	8	2,618,193	2,618,201
Loss and total comprehensive loss for the year	—	(126,123)	(126,123)
At 31st December, 2012	<u>8</u>	<u>2,492,070</u>	<u>2,492,078</u>

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2011	2012
	<i>HK\$</i>	<i>HK\$</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(171,887)	(126,123)
Increase in deposit	—	(68,000)
Increase in creditors and accruals	45,000	30,000
Net cash flows used in operating activities	<u>(126,887)</u>	<u>(164,123)</u>
CASH FLOWS USED IN INVESTING ACTIVITY		
Additions to property, plant and equipment	<u>(363,680,469)</u>	<u>(43,928,505)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment to the former immediate holding company	(33,259,912)	—
Advance from the immediate holding company	219,463,269	2,331,427
Drawdown of a bank loan	180,000,000	46,000,000
Payment of loan costs	(2,113,644)	(420,014)
Interest paid	<u>(260,395)</u>	<u>(3,769,862)</u>
Net cash flows from financing activities	<u>363,829,318</u>	<u>44,141,551</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,962	48,923
Cash and cash equivalents at beginning of year	<u>—</u>	<u>21,962</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>21,962</u>	<u>70,885</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances	<u><u>21,962</u></u>	<u><u>70,885</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Plentiful Investments is a limited company incorporated in the British Virgin Islands. Plentiful Investments is engaged in the business of investment holding of a wholly-owned subsidiary, the SW Property Company, the registered office of which is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

Prior to 6th May, 2011, in the opinion of the Directors, the holding company and the ultimate holding company of Plentiful Investments was Paliburg Development BVI Holdings Limited, which was incorporated in the British Virgin Islands, and Century City International Holdings Limited (“CCIHL”), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), respectively.

On 6th May, 2011, Plentiful Investments was disposed of to P&R Holdings. Thereafter, in the opinion of the Directors, the parent company of Plentiful Investments is P&R Holdings, which was incorporated in the British Virgin Islands. P&R Holdings was then a jointly controlled entity indirectly held as to 50% by each of Paliburg Holdings Limited (“PHL”) and RHIHL, both of which were incorporated in Bermuda and are listed on the Stock Exchange.

On 20th April, 2012, RHIHL, a then listed associate of PHL, announced a share repurchase programme for the repurchase of up to 38,886,400 ordinary shares of RHIHL at a maximum repurchase price of HK\$3.80 per share, which was to be operative until 21st July, 2012. Up to 7th May, 2012, an aggregate of 12,600,000 ordinary shares of RHIHL has been repurchased under the programme and, as a result, the aggregate proportionate shareholdings in RHIHL held by PHL increased from 49.3714% to 50.0005%. Accordingly, RHIHL and its subsidiaries became subsidiaries of PHL on that date. As P&R Holdings was then a jointly controlled entity indirectly held as to 50% by each of PHL and RHIHL, P&R Holdings and its subsidiaries also became subsidiaries of PHL upon RHIHL becoming a subsidiary of PHL on 7th May, 2012. Thereafter, in the opinion of the Directors, the ultimate holding company of Plentiful Investments changed to CCIHL.

2.1 BASIS OF PRESENTATION

The Financial Information incorporates the financial statements of the Plentiful Group for the Relevant Periods. The financial statements of the subsidiary are prepared for the same reporting period as Plentiful Investments, using consistent accounting policies. The results of the subsidiary are consolidated from the date of acquisition, being the date on which Plentiful Investments obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses arising from intra-group transactions and dividends are eliminated on consolidation in full.

A change in ownership interest of the subsidiary, without a loss of control, is accounted for as an equity transaction.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

If the Plentiful Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Plentiful Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Notwithstanding that the Plentiful Group had net current liabilities as at the end of each of the Relevant Periods, in the opinion of the Directors, it is appropriate that the Financial Information has been prepared under the going concern basis as P&R Holdings has agreed to provide adequate financial support to the Plentiful Group to meet its liabilities as and when they fall due.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1st January, 2012, together with the relevant transitional provisions, have been early adopted by the Plentiful Group in the preparation of the Financial Information throughout the Relevant Periods.

A statement of cash flows has not been presented for the year ended 31st December, 2010 as the Plentiful Group does not operate a bank or cash account or hold any cash equivalents and has had no cash transactions during the year ended 31st December, 2010. Accordingly, in the opinion of the Directors, the presentation of a statement of cash flows for the year ended 31st December, 2010 would provide no additional useful information to the users of the Financial Information.

The Financial Information has been prepared under the historical cost convention and is presented in Hong Kong dollars ("HK\$").

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Plentiful Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ²
HKFRS 11	<i>Joint Arrangements</i> ²
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ²

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> ³
HKFRS 13	<i>Fair Value Measurement</i> ²
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i> ¹
HKAS 19 (2011)	<i>Employee Benefits</i> ²
HKAS 27 (2011)	<i>Separate Financial Statements</i> ²
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ³
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ² Amendments to a number of HKFRSs issued in June 2012 ²

¹ Effective for annual periods beginning on or after 1st July, 2012

² Effective for annual periods beginning on or after 1st January, 2013

³ Effective for annual periods beginning on or after 1st January, 2014

⁴ Effective for annual periods beginning on or after 1st January, 2015

The Plentiful Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Plentiful Group considers these new and revised HKFRSs are unlikely to have a significant impact on the Plentiful Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary

A subsidiary is an entity whose financial and operating policies Plentiful Investments controls, directly or indirectly, so as to obtain benefits from its activities.

(b) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

(c) **Property, plant and equipment**

Property, plant and equipment represents a property under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the acquisition cost of land, direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Property under construction is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(d) **Financial assets**

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables. The Plentiful Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in profit or loss.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

(e) Impairment of financial assets

The Plentiful Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Plentiful Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Plentiful Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Plentiful Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

(f) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Plentiful Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (i) the Plentiful Group has transferred substantially all the risks and rewards of the asset, or (ii) the Plentiful Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Plentiful Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Plentiful Group’s continuing involvement in the asset. In that case, the Plentiful Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Plentiful Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Plentiful Group could be required to repay.

(g) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Plentiful Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

(h) **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(i) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(j) **Borrowing costs**

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Interest is capitalised at the interest rates related to specific development project borrowings. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(k) **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Plentiful Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(1) Related parties

A party is considered to be related to the Plentiful Group if:

- (i) the party is a person or a close member of that person's family and that person
 - (1) has control or joint control over the Plentiful Group;
 - (2) has significant influence over the Plentiful Group; or
 - (3) is a member of the key management personnel of the Plentiful Group or of a parent of the Plentiful Group; or
- (ii) the party is an entity where any of the following conditions applies:
 - (1) the entity and the Plentiful Group are members of the same group;
 - (2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (3) the entity and the Plentiful Group are joint ventures of the same third party;
 - (4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

- (5) the entity is a post-employment benefit plan for the benefit of employees of either the Plentiful Group or an entity related to the Plentiful Group;
- (6) the entity is controlled or jointly controlled by a person identified in (i); and
- (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Plentiful Group's cash management.

3. REVENUE AND OPERATING SEGMENT INFORMATION

(a) Revenue

The Plentiful Group did not earn any revenue during the Relevant Periods.

(b) Operating segment information

For management purpose, the Directors considered that the Plentiful Group has only one operating segment which is the property development. Since there is only one operating segment for the Plentiful Group, no further operating segment analysis thereof is presented.

All of its assets and liabilities as at the end of the Relevant Periods were located in Hong Kong.

As the Plentiful Group did not generate any revenue during the Relevant Periods, no geographical information related to revenue from external customers, or information about a major customer is presented.

4. LOSS FOR THE YEAR

The Plentiful Group's loss for the year is arrived at after charging auditors' remuneration of HK\$70,000 and HK\$120,000 for the years ended 31st December, 2011 and 2012, respectively.

During the year ended 31st December, 2010, auditors' remuneration was borne by a fellow subsidiary.

None of the Directors received any fees or emoluments in respect of their services rendered to the Plentiful Group during the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

5. FINANCE COSTS

	2010	2011	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Interest on bank loan wholly repayable within five years	—	360,740	3,704,222
Interest on bank overdraft	—	11	—
Other loan costs	—	191,635	1,096,578
	—	552,386	4,800,800
Less: Capitalised in respect of property under construction	—	(552,386)	(4,800,800)
	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

6. INCOME TAX

No provision for Hong Kong profits tax is required as the Plentiful Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

A reconciliation of the tax credit applicable to loss for the year at the Hong Kong statutory tax rate to the tax expense at the effective tax rate is as follows:

	2010	2011	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Loss for the year	<u>(275,390)</u>	<u>(171,887)</u>	<u>(126,123)</u>
Tax at the statutory tax rate of 16.5%	(45,439)	(28,361)	(20,810)
Expenses not deductible for tax	<u>45,439</u>	<u>28,361</u>	<u>20,810</u>
Tax charge at the Plentiful Group's effective rate	<u>—</u>	<u>—</u>	<u>—</u>

7. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

8. PROPERTY, PLANT AND EQUIPMENT

	Property under construction <i>HK\$</i>
31st December, 2011	
Additions during the year and balance as at 31st December, 2011	<u>401,935,355</u>
31st December, 2012	
At 31st December, 2011 and 1st January, 2012:	
Cost	401,935,355
Additions during the year	<u>50,171,022</u>
Net carrying amount	<u>452,106,377</u>

The property under construction is held under a long term lease and is situated in Hong Kong.

At 31st December, 2011 and 2012, the Plentiful Group's property under construction with a carrying value of HK\$401,935,355 and HK\$452,106,377 was pledged to secure banking facilities granted to the Plentiful Group.

9. INTEREST BEARING BANK BORROWING

	2010		2011		2012	
	<i>Maturity</i>	<i>HK\$</i>	<i>Maturity</i>	<i>HK\$</i>	<i>Maturity</i>	<i>HK\$</i>
Non-current						
Bank loan	—	<u>—</u>	2014	<u>178,072,731</u>	2014	<u>224,750,817</u>

The Plentiful Group's bank borrowing is (i) secured by a pledge of the property under construction (note 8); and (ii) guaranteed by PHL and RHIHL, on a several basis, up to HK\$170,000,000 each.

The interest bearing bank borrowing is denominated in Hong Kong dollars and bears interest at Hong Kong Interbank Offer Rate plus 1.55% per annum.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

10. SHARE CAPITAL

	2010	2011	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Authorised:			
50,000 ordinary shares of US\$1 each	<u>390,000</u>	<u>390,000</u>	<u>390,000</u>
Issued and fully paid:			
1 ordinary share of US\$1	<u>8</u>	<u>8</u>	<u>8</u>

11. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in the Financial Information, the Plentiful Group had the following material transactions with related parties during the Relevant Periods:

	<i>Notes</i>	2010	2011	2012
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
A related company*:				
Development consultancy fee paid	(i)	—	—	4,410,000
A fellow subsidiary:				
Construction cost paid	(ii)	<u>—</u>	<u>—</u>	<u>22,282,000</u>

* The above related company is a wholly-owned subsidiary of PHL.

Notes:

- (i) On 7th March, 2011, the Plentiful Group entered into a contract with Paliburg Development Consultants Limited, a wholly-owned subsidiary of PHL, for the provision of development consultancy services to the property development project of the Plentiful Group in an amount of HK\$6,300,000. The fee was charged by reference to the stage of completion of the development project.
- (ii) On 24th February, 2012, the Plentiful Group entered into a contract with Chatwin Engineering Limited, a wholly-owned subsidiary of PHL, for the provision of main construction work to the property development project of the Plentiful Group in an amount of HK\$77,421,345. The fee was charged by reference to the value of work done as stipulated in the contract.
- (b) The amounts due to the immediate holding company and the former immediate holding company disclosed on the face of the consolidated statements of financial position are unsecured, interest-free and not repayable within one year.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

12. COMMITMENTS

At 31st December, 2010, 2011 and 2012, the Plentiful Group had the following outstanding capital commitments in respect of the property development project:

	2010	2011	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Authorised, but not contracted for	—	201,577,393	25,995,647
Contracted, but not provided for	—	<u>24,839,779</u>	<u>155,054,454</u>
	<u>—</u>	<u>226,417,172</u>	<u>181,050,101</u>

13. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Plentiful Group comprise deposits and bank balances, which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the consolidated statements of financial position.

The financial liabilities of the Plentiful Group comprise creditors and accruals, amounts due to the immediate holding company and the former immediate holding company, and interest bearing bank borrowing, which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated statements of financial position.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Plentiful Group's principal financial instruments comprise amounts due to the immediate holding company and the former immediate holding company, and interest bearing bank borrowing. The main purpose of these financial instruments is to raise finance for the Plentiful Group's operations. The Plentiful Group has other financial assets and liabilities such as deposits, bank balances, and creditors and accruals, which arise directly from its operations. The carrying amounts of the Plentiful Group's financial instruments approximate to their fair values due to the short maturity or no fixed terms of repayment of these instruments.

The main risks arising from the Plentiful Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing these risks and they are summarised below.

Interest rate risk

The Plentiful Group's exposure to interest rate risks relates primarily to the Plentiful Group's bank borrowing with a floating interest rate. The interest rate and term of repayment of the Plentiful Group's borrowing are disclosed in note 9 to the Financial Information. The Plentiful Group's objective is to obtain the most favourable interest rates available for its borrowing. The Plentiful Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

As at 31st December, 2011 and 2012, it is estimated that an increase/decrease of 1% in interest rate would increase/decrease the Plentiful Group's finance costs capitalised by HK\$1,800,000 and HK\$2,260,000, respectively, assuming that the Plentiful Group's bank borrowing outstanding at the year end dates was outstanding for the whole years ended 31st December, 2011 and 2012.

Credit risk

The credit risk of the Plentiful Group's financial assets, which comprise deposits and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

In the management of liquidity risk, the Plentiful Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Plentiful Group's operations. The Plentiful Group also maintains a balance between continuity of funding and flexibility through the funding from the immediate holding company and the former immediate holding company in order to meet its liquidity requirements both in the short and long terms.

The maturity profile as at 31st December, 2010, 2011 and 2012, based on the contractual undiscounted payments, was as follows:

2010

	Within 1 year	Not repayable	
	<i>HK\$</i>	<i>within 1 year</i>	Total
		<i>HK\$</i>	<i>HK\$</i>
Creditors and accruals	25,000	—	25,000
Amount due to the former immediate holding company	—	33,259,912	33,259,912
	<u>25,000</u>	<u>33,259,912</u>	<u>33,284,912</u>

2011

	Within 1 year	Not repayable	
	<i>HK\$</i>	<i>within 1 year</i>	Total
		<i>HK\$</i>	<i>HK\$</i>
Creditors and accruals	1,803,116	—	1,803,116
Amount due to the immediate holding company	—	219,463,269	219,463,269
Interest bearing bank borrowing	3,330,000	186,112,603	189,442,603
	<u>5,133,116</u>	<u>405,575,872</u>	<u>410,708,988</u>

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

2012

	Within 1 year	Not repayable	Total
	<i>HK\$</i>	<i>within 1 year</i>	<i>HK\$</i>
		<i>HK\$</i>	
Creditors and accruals	3,207,671	—	3,207,671
Amount due to the immediate holding company	—	221,794,696	221,794,696
Interest bearing bank borrowing	<u>4,090,600</u>	<u>229,418,173</u>	<u>233,508,773</u>
	<u>7,298,271</u>	<u>451,212,869</u>	<u>458,511,140</u>

Capital management

The primary objectives of the Plentiful Group's capital management are to safeguard the Plentiful Group's ability to continue as a going concern and to enhance shareholder's value.

The Plentiful Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. Capital represents total equity. To maintain or adjust the capital structure, the Plentiful Group may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares. The Plentiful Group is not subject to any externally imposed capital requirements.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Plentiful Group or its subsidiary, the SW Property Company, in respect of any period subsequent to 31st December, 2012.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE PLENTIFUL GROUP

Business and financial review

The Plentiful Group is principally involved in the development of the Sheung Wan Hotel which commenced in 2011 and is scheduled to be completed in the fourth quarter of 2013. The superstructure works of the hotel are in progress. Other than the Sheung Wan Hotel which is still under development, the Plentiful Group does not have any other business.

As the Sheung Wan Hotel is still under development, the Plentiful Group did not record any revenue for the three years ended 31 December 2012. For the year ended 31 December 2010, 2011 and 2012, the Plentiful Group recorded net loss (both before and after tax) of approximately HK\$275,000, HK\$172,000 and HK\$126,000 respectively arising from administrative expenses.

Liquidity and financial resources

The operation of the Plentiful Group is generally financed by bank borrowing and shareholder loans. The bank borrowing bears interest at Hong Kong Interbank Offer Rate plus 1.55% per annum while the shareholder loans are interest free. As at 31 December 2010, the Plentiful Group had outstanding shareholder loan from the former immediate holding company of HK\$33.3 million. As at 31 December 2011 and 2012, the Plentiful Group had outstanding bank borrowing of approximately HK\$178.1 million and HK\$224.8 million respectively, and outstanding shareholder loan from P&R Holdings of approximately HK\$219.5 million and HK\$221.8 million respectively. As at 31 December 2010, 2011 and 2012, the gearing ratio (total bank borrowing and shareholder loans divided by total assets) of the Plentiful Group was 0.92 times, 0.99 times and 0.99 times respectively.

As at 31 December 2010, the Plentiful Group did not have any current assets while it had current liabilities of HK\$25,000. As at 31 December 2011 and 2012, the current ratio of the Plentiful Group was approximately 0.012 times and 0.04 times respectively.

As at 31 December 2010, the Plentiful Group did not have any cash or cash equivalents. As at 31 December 2011 and 2012, cash and cash equivalents of the Plentiful Group amounted to approximately HK\$21,962 and HK\$70,885 respectively.

Material investment, acquisition and disposal of subsidiaries and associates

During the period from 1 January 2010 to 31 December 2012, save for the investment and development of the Sheung Wan Hotel, no material investment, acquisition or disposal of subsidiaries and associates was made by the Plentiful Group.

Numbers and remuneration of employees

During the period from 1 January 2010 to 31 December 2012, the Plentiful Group did not have any employees. The Plentiful Group engaged the Paliburg Group to undertake the development works of the Sheung Wan Hotel.

APPENDIX II FINANCIAL INFORMATION OF THE PLENTIFUL GROUP

Pledge of assets

The Plentiful Group had no pledge of assets at 31 December 2010. As at 31 December 2011 and 2012, the Sheung Wan Hotel, which was still under development with a carrying amount of approximately HK\$401.9 million and HK\$452.1 million respectively, was pledged to secure the banking facilities granted to the Plentiful Group.

Capital commitment

The Plentiful Group had no capital commitments as at 31 December 2010. As at 31 December 2011 and 2012, the Plentiful Group had outstanding authorised capital commitments in respect of the development of the Sheung Wan Hotel not provided for amounting to approximately HK\$226.4 million and HK\$181.1 million respectively.

Exposure to foreign exchange

The Plentiful Group conducts its business in Hong Kong and settles all its transactions primarily in HK\$. As such it is considered that the Plentiful Group's exposure to foreign exchange risk is insignificant.

Financial instruments for hedging

During the period from 1 January 2010 to 31 December 2012, the Plentiful Group did not use any financial instruments for hedging purposes.

Contingent liabilities

As at 31 December 2010, 2011 and 2012, the Plentiful Group did not have any contingent liabilities.

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma statement of assets and liabilities of the Enlarged Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the SW Hotel Transaction and the grant of the Option as if they had taken place on 31 December 2012.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared using the accounting policies consistent with that of the Group as set out in note 2.4 to the financial statements included in the published annual report of the Group for the year ended 31 December 2012.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the SW Hotel Transaction and the grant of the Option been completed as at 31 December 2012 or any future date.

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP**

**UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES AS AT 31
DECEMBER 2012**

	The Group	The Plentiful Group	Pro forma adjustments in relation to SW Hotel Transaction		Pro forma adjustment in relation to the grant of the Option		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>Notes</i>	<i>HK\$'million</i>	<i>Note</i>	<i>HK\$'million</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>
	<i>Note 1</i>	<i>Note 2</i>					
NON-CURRENT ASSETS							
Property, plant and equipment	13,845.2	452.1	(452.1)	3	—		15,001.4
			1,580.0	3			
			2.7	4			
			(426.5)	6			
Investment properties	948.0	—	—		—		948.0
Investments in jointly controlled entities	1,597.3	—	426.5	5	—		2,023.8
Investments in associates	27.6	—	—		—		27.6
Available-for-sale investments	4.7	—	—		—		4.7
Financial assets at fair value through profit or loss	23.4	—	—		—		23.4
Other loan	18.9	—	—		—		18.9
Deposits	2.3	—	—		—		2.3
Total non-current assets	<u>16,467.4</u>	<u>452.1</u>	<u>1,130.6</u>		<u>—</u>		<u>18,050.1</u>

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP**

	The Group	The Plentiful Group	Pro forma adjustments in relation to SW Hotel Transaction		Pro forma adjustment in relation to the grant of the Option		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>Notes</i>	<i>HK\$'million</i>	<i>Note</i>	<i>HK\$'million</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>
	<i>Note 1</i>	<i>Note 2</i>					
CURRENT ASSETS							
Properties held for sale	788.0	—	—		—		788.0
Inventories	25.3	—	—		—		25.3
Debtors, deposits and prepayments	843.2	0.1	—		—		843.3
Held-to-maturity investments	210.8	—	—		—		210.8
Financial assets at fair value through profit or loss	730.3	—	—		—		730.3
Derivative financial instrument	—	—	—		10.0	12	10.0
Restricted cash	44.2	—	—		—		44.2
Pledged time deposits and bank balances	321.9	—	—		—		321.9
Time deposits	1,739.2	—	—		—		1,739.2
Cash and bank balances	625.6	0.1	(2.7)	4	(10.0)	12	612.8
			(0.2)	7			
Total current assets	<u>5,328.5</u>	<u>0.2</u>	<u>(2.9)</u>		<u>—</u>		<u>5,325.8</u>
CURRENT LIABILITIES							
Creditors, deposits received and accruals	(382.6)	(3.2)	3.2	8	—		(382.6)
Interest bearing bank borrowings	(81.5)	—	—		—		(81.5)
Derivative financial instruments	(2.1)	—	—		—		(2.1)
Tax payable	(41.4)	—	—		—		(41.4)
Total current liabilities	<u>(507.6)</u>	<u>(3.2)</u>	<u>3.2</u>		<u>—</u>		<u>(507.6)</u>

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP**

	The Group	The Plentiful Group	Pro forma adjustments in relation to SW Hotel Transaction		Pro forma adjustment in relation to the grant of the Option		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>Notes</i>	<i>HK\$'million</i>	<i>Note</i>	<i>HK\$'million</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>
	<i>Note 1</i>	<i>Note 2</i>					
NET CURRENT ASSETS/(LIABILITIES)	<u>4,820.9</u>	<u>(3.0)</u>	<u>0.3</u>		<u>—</u>		<u>4,818.2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	21,288.3	449.1	1,130.9		—		22,868.3
NON-CURRENT LIABILITIES							
Deposits received	(2.5)	—	—		—		(2.5)
Interest bearing bank borrowings	(4,776.1)	(224.8)	224.8	9	—		(4,776.1)
Other borrowing	(2,293.8)	—	—		—		(2,293.8)
Interest bearing bank and other borrowings			(1,580.0)	10	—		(1,580.0)
Due to immediate holding company	—	(221.8)	221.8	11	—		—
Derivative financial instruments	(2.8)	—	—		—		(2.8)
Deferred tax liabilities	<u>(1,065.5)</u>	<u>—</u>	<u>—</u>		<u>—</u>		<u>(1,065.5)</u>
Total non-current liabilities	<u>(8,140.7)</u>	<u>(446.6)</u>	<u>(1,133.4)</u>		<u>—</u>		<u>(9,720.7)</u>
Net assets	<u><u>13,147.6</u></u>	<u><u>2.5</u></u>	<u><u>(2.5)</u></u>		<u><u>—</u></u>		<u><u>13,147.6</u></u>

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Notes:

- (1) The balances have been extracted from the audited consolidated statement of financial position of the Company as at 31 December 2012 as presented in its published annual report for the year ended 31 December 2012.
- (2) The balances have been extracted from the audited consolidated statement of financial position of Plentiful Investments as at 31 December 2012 as presented in Appendix II to this circular and are rounded to the nearest million.
- (3) The adjustments represent the reversal of the carrying amount of the property, plant and equipment held by the Plentiful Group of HK\$452.1 million and the recognition of the related fair value upon the SW Hotel Completion. It is assumed that the Interior Fit-Out Programme in relation to the Sheung Wan Hotel is completed as at 31 December 2012.
- (4) The adjustments represent the payment and capitalisation of the estimated directly attributable costs in relation to the SW Hotel Transaction.
- (5) The adjustment represents the Group's 50% share of P&R Holdings's estimated gain on disposal of the Plentiful Group amounting to HK\$426.5 million upon the SW Hotel Completion. Such estimated gain on disposal resulting from the SW Hotel Completion was based on the consideration of HK\$1,580.0 million and the total estimated costs of the property, plant and equipment (including the Interior Fit-Out Programme) of HK\$727.0 million. It is assumed that no other expenses is payable upon the SW Hotel Completion by P&R Holdings.
- (6) The adjustment represents the elimination of the Group's 50% share of P&R Holdings's estimated gain on disposal of the Plentiful Group amounting to HK\$426.5 million upon the SW Hotel Completion against the property, plant and equipment, the subject of the SW Hotel Transaction.
- (7) The adjustment represents additional payments of approximately HK\$0.2 million for the current assets of the Plentiful Group upon the SW Hotel Completion.
- (8) The adjustment represents the transfer of all liabilities other than the SW Shareholder Loan to P&R Holdings upon the SW Hotel Completion.
- (9) The adjustment represents the discharge of the interest bearing bank borrowing of the Plentiful Group upon the SW Hotel Completion.
- (10) The adjustment represents the drawdown of non-current bank and other borrowings through a combination of (i) the issuance of medium term notes under the Regal REIT MTN Programme; and (ii) new bank facilities secured against the Sheung Wan Hotel and/or other assets held by Regal REIT to finance the consideration of the SW Hotel Transaction of HK\$1,580.0 million.
- (11) The adjustment represents the assignment of the SW Shareholder Loan to the Group upon the SW Hotel Completion.
- (12) The adjustment represents the option fee payable to P&R Holdings in cash upon the grant of the Option. Such fee is also assumed to represent the fair value of a derivative financial instrument in respect of the Option on initial recognition and at the end of reporting period.

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

2. LETTER ON THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, from Ernst & Young, Certified Public Accountants, in relation to the unaudited pro forma financial information of the Enlarged Group.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 June 2013

The Directors
Regal Hotels International Holdings Limited
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

Dear Sirs

We report on the unaudited pro forma statement of assets and liabilities of Regal Hotels International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) following (i) the acquisition of the entire issued share capital of Plentiful Investments Limited (“Plentiful Investments”) by DB Trustees (Hong Kong) Limited (“Trustee”), in its capacity as trustee of Regal Real Estate Investment Trust (“Regal REIT”); (ii) assignment to the Trustee of all amounts owing by Plentiful Investments to P&R Holdings Limited (“P&R Holdings”) (collectively the “SW Hotel Transaction”); and (iii) the grant of a call option (the “Option”) by P&R Holdings to the Trustee entitling Regal REIT in its sole discretion to acquire the entire issued share capital of Fortune Mine Limited (“Fortune Mine”) and to be assigned all amounts owing by Fortune Mine (hereinafter the “Enlarged Group”) (the “Unaudited Pro Forma Financial Information”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the SW Hotel Transaction and the grant of the Option might have affected the financial information presented, for inclusion in Appendix III to the circular of the Company dated 29 June 2013 (the “Circular”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix III to the Circular.

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standards on Investment Circular Reporting Engagement 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 December 2012 or any future dates.

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP**

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;
- (b) such bases are consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

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

Regal Hotels International Holdings Limited
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong



29 June 2013

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

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

EA Licence: C-023750
savills.com

Dear Sir / Madam

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

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

Basis of Valuation

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

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

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

Valuation Approach

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

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

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

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

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

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

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

Direct Comparison Approach

As a supporting approach to our valuation, we have considered the Direct Comparison Approach as a reference check for the valuation arrived from DCF. In this regard, comparable sale transactions around the Date of Valuation are collected and analyzed in term of a price per square foot. The rationale of this approach is to directly compare the market comparable transactions with a property to determine the market value. Appropriate adjustments are applied to the comparable transactions to adjust for the discrepancies between a property and the comparables.

Title Investigation

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

Source of Information

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

Site Measurement

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

Site Inspection

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

Valuation Assumptions

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

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

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

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

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

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

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

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

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

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

Valuer's interest

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

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

We enclose herewith our valuation report.

Yours faithfully

For and on behalf of
Savills Valuation and Professional Services Limited

Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS(GP)
Managing Director

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

PROPERTY

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

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

1. DESCRIPTION OF PROPERTY

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

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

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

Hotel Guestroom Configuration

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

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

Facilities

A lobby lounge and a business centre.

2. OWNERSHIP AND TENURE

Registered Owner : Tristan Limited

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

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

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

Major Registered Encumbrance

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

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

- vi. Government Notice No. 2710 of 21.7.1995 pursuant to Section 22(1) the Crown Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 21 July 1995, registered vide memorial no. UB6352712. (For Section G of Inland Lot No. 66 and The Remaining Portion of Inland Lot No. 66 only)

3. ASSUMED LEASE AGREEMENT

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

4. ASSUMED HOTEL MANAGEMENT AGREEMENT

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

- (a) a base fee which is equal to (i) 1% of gross revenue derived from the Property (for so long as the Master Lease is in subsistence); or (ii) 2% of gross revenue derived from the Property (for other cases during the operating term of the HMA); and

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

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

HK\$1,580,000,000

6. ESTIMATED NET PROPERTY YIELD²

5.0%

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

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

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/ Other interests	
1. The Company	Mr. LO Yuk Sui	Ordinary (i) issued	24,200	494,835,261 <i>(Note c)</i>	260,700	495,120,161
		(ii) underlying	—	27,542,000 <i>(Note d)</i>	—	27,542,000
	Total (i) & (ii):					522,662,161 (54.21%)
	Dr. Francis CHOI Chee Ming	Ordinary (issued)	50,240,000	—	—	50,240,000 (5.21%)
	Miss LO Po Man	Ordinary (issued)	300,000	—	269,169 <i>(Note e)</i>	569,169 (0.06%)
Mr. Allen WAN Tze Wai	Ordinary (issued)	10,200	—	—	10,200 (0.001%)	

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	
2. Century City	Mr. LO Yuk Sui	Ordinary (issued)	99,587,396	1,769,164,691 <i>(Note a)</i>	380,683	1,869,132,770 (58.18%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)
	Miss LO Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.003%)
	Mr. NG Siu Chan	Ordinary (issued)	—	—	3,521,973	3,521,973 (0.11%)
	Mr. Allen WAN Tze Wai	Ordinary (issued)	24,000	—	—	24,000 (0.001%)
	Ms. Belinda YEUNG Bik Yiu	Ordinary (issued)	200	—	—	200 (0.000%)
3. Paliburg	Mr. LO Yuk Sui	Ordinary (issued)	85,484,014	739,970,803 <i>(Note b)</i>	15,000	825,469,817 (74.03%)
	Mr. Donald FAN Tung	Ordinary (issued)	556	—	—	556 (0.000%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
	Miss LO Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
	Mr. Kenneth NG Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)
	Mr. NG Siu Chan	Ordinary (issued)	—	—	80,474	80,474 (0.007%)
	Mr. Allen WAN Tze Wai	Ordinary (issued)	204,200	—	—	204,200 (0.02%)
4. 8D International (BVI) Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	1,000 <i>(Note f)</i>	—	1,000 (100%)
5. Regal REIT	Mr. LO Yuk Sui	Units (issued)	—	2,434,282,102 <i>(Note g)</i>	—	2,434,282,102 (74.73%)

Notes:

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

- (b) The interests in 693,234,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 58.16% shareholding interests as at the Latest Practicable Date.

The interests in 16,271,685 issued ordinary shares of Paliburg were held through corporations controlled by Mr. Lo as detailed below:

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

The interests in 30,464,571 issued ordinary shares of Paliburg were held through corporations controlled by Mr. Lo as detailed below:

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

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

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.

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

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group. There will be no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the Directors in consequence of the SW Hotel Transaction and the Option.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at the Latest Practicable Date
Century City (<i>Note a</i>)	494,835,261	27,542,000	522,377,261	54.18%
Century City BVI Holdings Limited (“CCBVI”) (<i>Note b</i>)	494,835,261	27,542,000	522,377,261	54.18%
Paliburg (<i>Note c</i>)	494,413,861	27,542,000	521,955,861	54.14%
Paliburg Development BVI Holdings Limited (<i>Note d</i>)	494,413,861	27,542,000	521,955,861	54.14%
Guo Yui Investments Limited (<i>Note d</i>)	180,930,466	—	180,930,466	18.77%
Paliburg BVI Holdings Limited (<i>Note d</i>)	230,870,324	—	230,870,324	23.95%
Taylor Investments Ltd. (<i>Note d</i>)	154,232,305	—	154,232,305	16.00%
H.P. Nominees Limited (<i>Note d</i>)	32,072,885	27,542,000	59,614,885	6.18%
Glaser Holdings Limited (<i>Note d</i>)	58,682,832	—	58,682,832	6.09%

Notes:

- (a) The interests in the Shares held by Century City were included in the corporate interests of Mr. LO Yuk Sui as disclosed under the section headed “Disclosure of Directors’ Interests” above.
- (b) CCBVI is a wholly owned subsidiary of Century City and its interests in the Shares were included in the interests held by Century City.
- (c) Paliburg is a listed subsidiary of Century City, which held 62.17% shareholding interests in Paliburg as at the Latest Practicable Date, and Paliburg’s interests in the Shares were included in the interests held by Century City.
- (d) These companies are wholly owned subsidiaries of Paliburg and their interests in the Shares were included in the interests held by Paliburg.

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

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

- (1) Mr. LO Yuk Sui, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To, Miss LO Po Man, Mr. Kenneth NG Kwai Kai, Mr. NG Siu Chan and Mr. WONG Chi Keung are directors of Century City and Paliburg.
- (2) Mr. LO Yuk Sui, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To, Miss LO Po Man and Mr. Kenneth NG Kwai Kai are directors of all the above-mentioned wholly-owned subsidiaries of Century City and Paliburg.

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 would not be determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

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

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors 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. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given, or agreed to inclusion of, their respective opinion or advice in this circular:

Name	Qualification
Ample Capital	a licensed corporation to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Savills	Chartered Surveyors and Valuer

Each of Ample Capital, Ernst & Young and Savills 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 respectively appear. The valuation report on the Sheung Wan Hotel, the accountants' report on the Plentiful Group and the letters of Ernst & Young and Ample Capital are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, none of the above experts had any 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 none of the above experts had any interest, either directly or indirectly, in any assets which have been, since 31 December 2012, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

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

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had not been any material adverse change in the financial or trading position of the Group since 31 December 2012, 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 head office and principal place of business in Hong Kong of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the SGM:

- (a) the Share Purchase Agreement;
- (b) the Option Agreement;
- (c) the memorandum of association and bye-laws of the Company;
- (d) the annual reports of the Company for the two years ended 31 December 2011 and 2012;
- (e) the accountants' report on the Plentiful Group for the three years ended 31 December 2012, the text of which is set out in Appendix II of this circular;
- (f) the report from Ernst & Young on unaudited pro forma financial information, the text of which is set out in Appendix III of this circular;
- (g) the valuation report on the Sheung Wan Hotel, the text of which is set out in Appendix IV of this circular;
- (h) the written consents referred to in the section headed "Qualification and consent of experts" of this Appendix; and
- (i) Ample Capital's letter of advice dated 29 June 2013.

11. GENERAL

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

NOTICE OF SGM



NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of Regal Hotels International Holdings Limited (the “Company”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 18 July 2013 at 12:00 noon for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the entering into of the Share Purchase Agreement (as defined in the circular to the shareholders of the Company dated 29 June 2013 (the “**Circular**”), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, the transactions contemplated thereunder and the execution of the Share Purchase Agreement and any documents and agreements incidental thereto under the common seal of the Company by any two directors of the Company on behalf of the Company be and are hereby confirmed, approved, authorised and/or ratified in all respects; and
- (b) any one director of the Company or any two directors of the Company, if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the Share Purchase Agreement and the transactions contemplated thereunder or otherwise in relation to the Share Purchase Agreement and the matters and the transactions contemplated thereunder.”

2. **“THAT:**

- (a) the entering into of the Option Agreement (as defined in the Circular), a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for identification purpose, the transactions contemplated thereunder and the execution of the Option Agreement and any documents and agreements incidental thereto under the common seal of the Company by any two directors of the Company on behalf of the Company be and are hereby confirmed, approved, authorised and/or ratified in all respects; and

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- (b) any one director of the Company or any two directors of the Company, if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the Option Agreement and the transactions contemplated thereunder or otherwise in relation to the Option Agreement and the matters and the transactions contemplated thereunder.”

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

Hong Kong, 29 June 2013

Notes:

1. Any member of the Company entitled to attend and vote at the SGM may appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and attend and vote on his behalf at the SGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same power on behalf of such member of the Company which he or they represent as such member of the Company could exercise.
2. In order to be valid, the instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
3. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for the holding of the SGM or any adjournment thereof.
4. Delivery of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to have been revoked.

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5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. At the SGM, the above resolutions put to the vote of the members of the Company will be decided by way of poll.
7. In the event that a typhoon signal no. 8 (or above) or a black rainstorm warning is in effect on the day of the SGM, members of the Company are requested to call the Company's hotline at (852) 2894-7541 on that day to enquire about the arrangements of the SGM.