
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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
EXERCISE OF OPTION TO ACQUIRE 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 Monday, 14 July 2014 at 10:00 a.m. (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, Wan Chai, 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.

25 June 2014

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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 exercise of 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 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 and whose issued Shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Directors”	the directors of the Company
“Enlarged Group”	the Group immediately after completion of the NP Hotel Transaction
“Exercise Notice”	the notice issued by the Trustee on 15 May 2014 in accordance with the terms of the Option Agreement to conditionally exercise the Option
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Manager”	Regal Hotels International Limited, a wholly-owned subsidiary of the Company

DEFINITIONS

“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 exercise of the Option
“Independent Shareholders”	Shareholders other than Mr. LO Yuk Sui, Century City, Paliburg and their respective associates
“Interior Fit-Out Agency Deed”	the agency deed to be entered into between the NP Property Company and the Interior Fit-Out Agent upon completion of the NP Hotel Transaction
“Interior Fit-Out Agent”	P&R Contracting Agency Limited, a wholly-owned subsidiary of P&R Holdings, to be appointed by the NP Property Company 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 NP Property Company, or to be entered into by the Interior Fit-Out Agent (as agent for and on behalf of the NP Property Company), 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 Interior Fit-Out Programme
“Interior Fit-Out Long Stop Date”	the date falling six months after completion of the NP Hotel Transaction
“Interior Fit-Out Programme”	the interior fit-out programme in relation to the North Point Hotel
“Latest Practicable Date”	19 June 2014, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
“Lessee”	a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	Regal Portfolio Management Limited, the manager of Regal REIT and a wholly-owned subsidiary of the Company
“North Point Hotel”	a hotel located at Nos. 14-20 Merlin Street, North Point, Hong Kong

DEFINITIONS

“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 (acting on the instructions of the Manager) (or its nominee)
“NP Lease Agreement”	the lease agreement in respect of the lease of the North Point Hotel by the Lessee from the NP Property Company
“NP Property Company”	Wise Decade Investments Limited, a wholly-owned subsidiary of Fortune Mine
“NP Shareholder Loan”	all amounts due (including principal, interests and other sums (if any)), owing or payable by Fortune Mine to P&R Holdings
“Option”	the call option granted 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 paid by the Trustee (on behalf of Regal REIT) to P&R Holdings under the Option Agreement
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda 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
“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 paid by the Trustee (on behalf of Regal REIT) 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)

DEFINITIONS

“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 North Point Hotel
“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 Monday, 14 July 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the exercise of the Option
“Shareholders”	holders of Shares
“Shares”	ordinary shares of par value HK\$0.10 each in the share capital of the Company
“sqm”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

LETTER FROM THE BOARD



Executive Directors:

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)
Miss LO Po Man (*Vice Chairman and Managing Director*)
Ms. Belinda YEUNG Bik Yiu (*Chief Operating Officer*)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
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 in Hong Kong:*

11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

25 June 2014

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

EXERCISE OF OPTION TO ACQUIRE NORTH POINT HOTEL

INTRODUCTION

Reference is made to the announcement jointly issued by Century City, Paliburg and the Company dated 28 June 2013 and the announcement issued by the Company dated 15 May 2014.

On 28 June 2013 (after trading hours), P&R Holdings and the Trustee (in its capacity as trustee and on behalf of Regal REIT), among other parties, entered into the Option Agreement, pursuant to which P&R Holdings granted the Option to the Trustee to acquire 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 THE BOARD

On 15 May 2014 (after trading hours), the Trustee delivered the Exercise Notice to P&R Holdings, pursuant to which the Trustee has conditionally exercised the Option to acquire the entire issued share capital of and the shareholder loans to Fortune Mine (which, through its wholly-owned subsidiary, owns the North Point Hotel) for a consideration of HK\$1,650 million plus a customary adjustment as detailed below.

Regal REIT is a listed subsidiary of the Company. The exercise of the Option constitutes 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 exercise of the Option.

The purpose of this circular is to provide you with among others (i) information in relation to the NP Hotel Transaction; (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, approve the resolution in relation to the exercise of the Option.

EXERCISE OF OPTION TO ACQUIRE NORTH POINT HOTEL

Assets to be acquired

Pursuant to the exercise of the Option, Regal REIT will acquire from P&R Holdings: (i) the entire issued share capital of Fortune Mine; and (ii) the NP Shareholder Loan as at the date of completion. The NP Shareholder Loan amounted to HK\$335.9 million as at the Latest Practicable Date.

Upon completion of the NP Hotel Transaction pursuant to the exercise of the Option, Fortune Mine will be wholly-owned by Regal REIT (a 74.6%-owned subsidiary of the Company) and will become a non wholly-owned subsidiary of the Company.

Consideration

The initial exercise price for the Option as agreed between the parties pursuant to the terms of the Option Agreement was HK\$1,650 million, which shall be adjusted based on an updated valuation as of the last month end date before the grant of the occupation permit in respect of the North Point Hotel:

- (a) if the updated appraised value is lower than the initial appraised value (of HK\$1,650 million), 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 (of HK\$1,650 million), the exercise price will be adjusted to the average of the initial and updated appraised values.

On 8 May 2014, P&R Holdings informed the Manager and the Trustee that the occupation permit dated 5 May 2014 in respect of the North Point Hotel had been obtained. There was no change to the

LETTER FROM THE BOARD

valuation of the North Point Hotel on an as-completed basis as of 30 April 2014 as appraised by Savills from the initial appraised value of HK\$1,650 million as of 25 June 2013. As such, the total consideration for the NP Hotel Transaction shall remain as HK\$1,650 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 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 2013, the current assets of the Fortune Group amounted to HK\$1.4 million. Apart from the North Point Hotel and the current assets, the Fortune Group does not have any other assets. As at 31 December 2013, apart from the NP Shareholder Loan, the Fortune Group had bank borrowings of approximately HK\$317.8 million which will be fully repaid on or before the date of completion of the NP Hotel Transaction. P&R Holdings and the Guarantors (on a several basis in equal proportions) 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 consideration shall be payable by the Trustee (on behalf of Regal REIT) in cash at completion of the NP Hotel Transaction. The Option Fee (of HK\$10 million) and the Refundable Cash Collateral (of HK\$990 million) and any accrued and unpaid interest will be applied to settle part of the consideration. Regal REIT intends to finance the payment of the consideration (net of the aforesaid amounts) by its bank borrowings.

The consideration was determined based on the terms as agreed between the parties to the Option Agreement and having regard to the independent valuation of the North Point Hotel. The Directors (including the independent non-executive Directors who are members of the Independent Board Committee, whose views are set out in the “Letter from the Independent Board Committee” in this circular) consider that the consideration and its basis are fair and reasonable.

Conditions precedent

The Exercise Notice will become unconditional when all relevant and applicable provisions of the REIT Code and the Listing Rules have been complied with, including the Company obtaining Independent Shareholders’ approval in respect of the exercise of the Option.

Save for the Independent Shareholders’ approval in respect of the exercise of the Option, all relevant and applicable provisions of the REIT Code and the Listing Rules have been complied with as at the Latest Practicable Date. If this remaining condition is 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

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

LETTER FROM THE BOARD

Other relevant terms of the Option Agreement

Construction undertakings

P&R Holdings and the Guarantors (on a several basis in equal proportions) have procured 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 consistent with the plans and specifications as set out in the Option Agreement, and no deviation from such specifications is to be made without the Manager's prior written approval. The key specifications of the North Point Hotel are set out in the paragraph headed "Information on Fortune Mine and the North Point Hotel".

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

The construction of the North Point Hotel has been completed pursuant to the construction undertakings.

Interior Fit-Out Programme

P&R Holdings undertakes that following completion of the NP Hotel Transaction, it shall complete, or procure completion of, the Interior Fit-Out Programme at its sole cost and expense. The estimated costs for such works are HK\$79.9 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 have been submitted to the Manager for approval and any change thereof shall require approval 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.

LETTER FROM THE BOARD

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 (on a several basis in equal proportions) will, at completion of the NP Hotel Transaction, enter into an Interior Fit-Out Agency Deed whereby the NP Property Company appoints the Interior Fit-Out Agent to manage and settle the Interior Fit-Out Contracts on its behalf.

Representations, warranties and indemnity

The Option Agreement contains customary representations and warranties given by P&R Holdings and the Guarantors (on a several basis in equal proportions), 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 (on a several basis in equal proportions) 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 by P&R Holdings under the Option Agreement.

The Option Agreement also sets out limitations on the liability of P&R Holdings and the Guarantors (on a several basis in equal proportions) in respect of any breach of warranties by P&R Holdings. The maximum aggregate liability of P&R Holdings and the Guarantors (on a several basis in equal proportions) in respect of all claims for breach of warranties by P&R Holdings under the Option Agreement shall not exceed the final exercise price of the Option.

The Option Agreement provides for a limitation period of 3 years from 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 (on a several basis in equal proportions) will at 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 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 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, 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 will amount to 5%, 5.25% and 5.5% of the final exercise price of the Option 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 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. 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 during the aforesaid period. 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

During the period from 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, the North Point Hotel will not be in operation to generate income and it was agreed that P&R Holdings shall provide reimbursement to the Lessee 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 completion of the Interior Fit-Out Programme and 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 Lessee 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 has been 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 construction works of the North Point Hotel have been completed and the occupation permit as required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) was granted by the Building Authority on 5 May 2014. 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 2012 and 2013, the Fortune Group recorded consolidated net loss (both before and after tax) of approximately HK\$77,000 and HK\$88,000 respectively. As at 31 December 2013, the Fortune Group had consolidated net liabilities (taking into account bank borrowings and shareholder’s loans) of approximately HK\$0.2 million. Before bank borrowings and the shareholder’s loans, the Fortune Group Mine had consolidated net assets of approximately HK\$632.7 million as at 31 December 2013. The North Point Hotel was valued at HK\$1,650 million on an as-completed basis as of 30 April 2014. 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 licences. As such, it is fair and reasonable that the North Point Hotel is valued on an as-completed basis.

LETTER FROM THE BOARD

RISK FACTORS IN RELATION TO THE TRANSACTION

1. **There are risks and uncertainties as the development of the North Point Hotel is subject to completion**

As the development of the North Point Hotel is still subject to completion, there are certain risks involved including the following:

- (a) *The due diligence survey on the North Point Hotel prior to the exercise of the Option may not have identified all material defects, breaches of laws and regulations and other deficiencies*

Prior to delivering the Exercise Notice, at the request of the Manager, a technical consultant conducted a physical and technical inspection and investigation of the North Point Hotel. Nevertheless, there can be no assurance that such reviews, surveys or inspections (or the relevant review, survey or inspection reports on which Regal REIT or the Manager have relied to proceed to exercise the Option) would have revealed all defects or deficiencies or all breaches of laws and regulations affecting the North Point Hotel. Whilst Regal REIT may sue for damages, it may not be compensated or may not be compensated sufficiently, and the operations of the North Point Hotel and the returns to Regal REIT may be adversely affected.

- (b) *The Interior Fit-Out Programme involves 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 Programme pursuant to the Option Agreement, the Interior Fit-Out Programme may not be completed on schedule, due to reasons outside the control of P&R Holdings. The value appraised by Savills in respect of the North Point Hotel represents the value of the North Point Hotel as if the Interior Fit-Out Programme has already been completed. The Option Agreement confers various rights on the Manager and the Trustee in the event that the Interior Fit-Out Programme is not completed in accordance with terms set out therein. However, in such circumstances, the operation of the North Point Hotel may be delayed or disrupted. Although for the period from the completion of the NP Hotel Transaction until completion of the Interior Fit-Out Programme and obtaining the 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, such delay may extend the initial start-up risk phase of the North Point Hotel.

LETTER FROM THE BOARD

2. **The North Point Hotel has no operating history**

The North Point Hotel is newly developed and has no operating history. Accordingly, investors should be aware that there may be an initial start-up risk associated with the North Point Hotel.

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

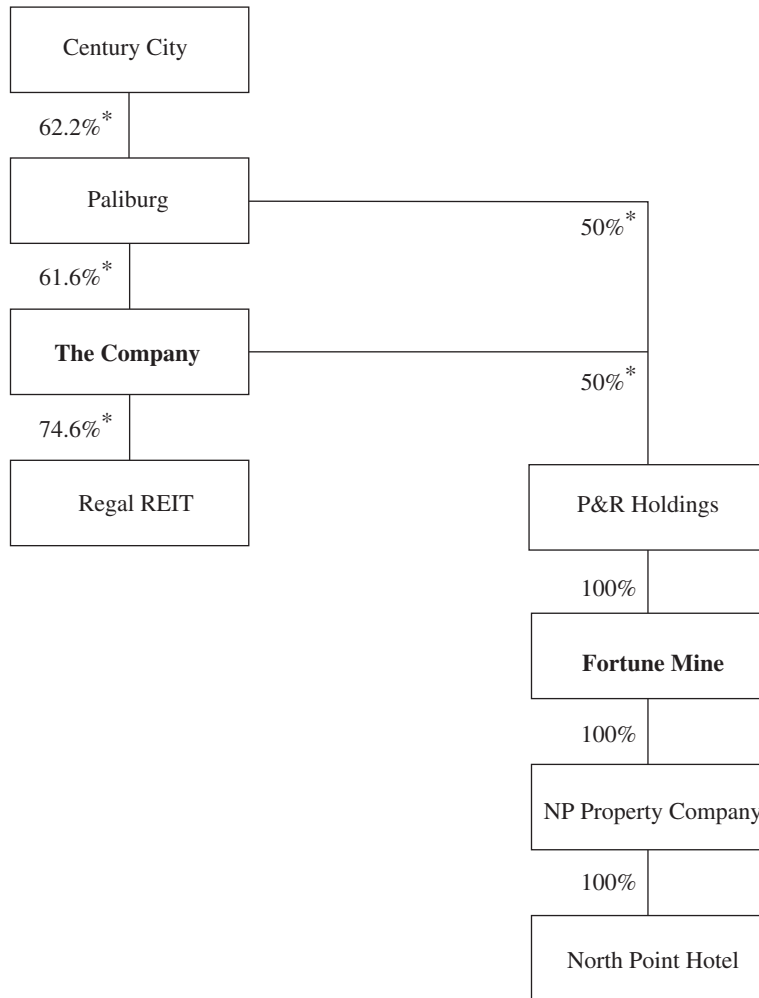
Regal REIT is expected to use leverage in connection with the NP Hotel Transaction and its other investments. In addition, Regal REIT may, from time to time, require additional debt financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing 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 the North Point Hotel occurs in the future, Regal REIT may exceed the 45% borrowing limit even without incurring any additional 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.

LETTER FROM THE BOARD

SHAREHOLDING CHART IN RELATION TO FORTUNE MINE

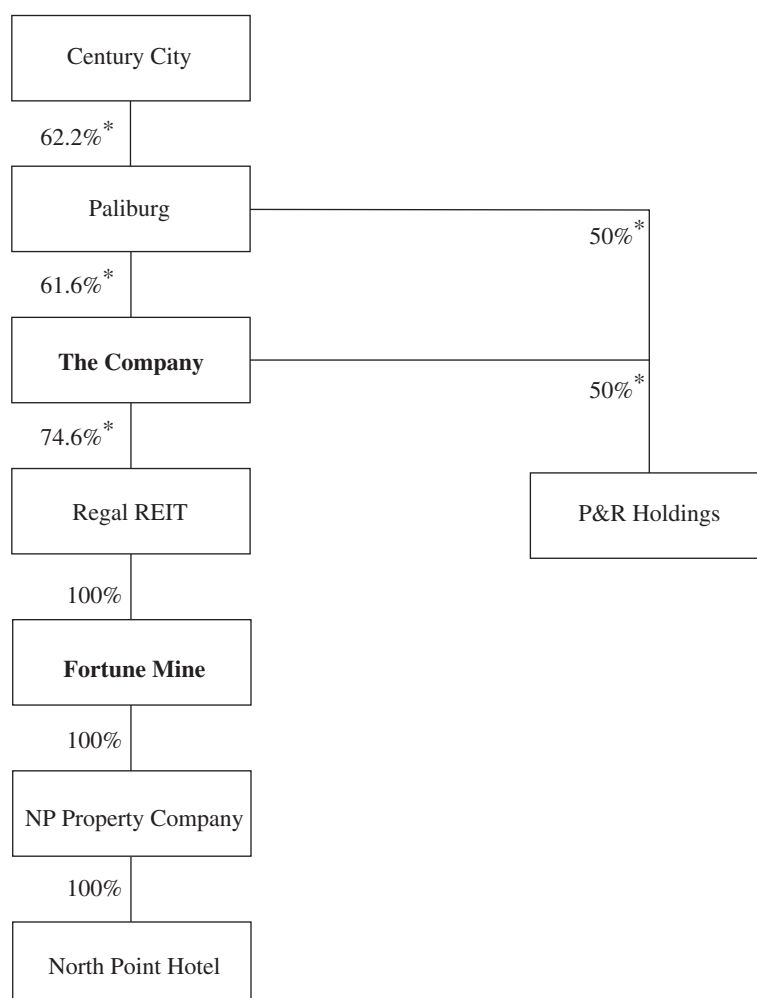
Below is a chart showing the present shareholding interest in Fortune Mine:



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

LETTER FROM THE BOARD

Below is a chart showing the shareholding interest in Fortune Mine upon completion of the NP Hotel Transaction:



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

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in hotel operations and management, hotel ownership (through its 74.6%-owned subsidiary, Regal REIT), asset management of Regal REIT, property development and investment, and other investments including financial assets investments, and aircraft ownership and leasing business.

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. The principal activity of Regal REIT is to own and invest in income-producing hotels, serviced apartments or commercial properties (including office properties) with the objectives of producing stable and growing distributions to the Unitholders and to achieve long-term growth in the net asset value per unit of Regal REIT. The Manager, a wholly-owned subsidiary of the Company, is the manager to Regal REIT.

LETTER FROM THE BOARD

P&R Holdings is a 50%-owned joint venture of the Group and is principally engaged in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities including the acquisition or making of any investments (directly or indirectly) in the securities of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

The construction of the North Point Hotel has been completed and the hotel is expected to commence operations in or around the third quarter of 2014. Pursuant to the exercise of the Option, P&R Holdings will dispose of Fortune Mine (which, through its wholly-owned subsidiary, owns the North Point Hotel) to Regal REIT at a consideration which was determined with reference to an independent valuation of the North Point Hotel. Regal REIT intends to finance the payment of the consideration (net of the Option Fee and the Refundable Cash Collateral and any accrued and unpaid interest thereon) for the NP Hotel Transaction by its bank borrowings. The Group will manage and operate the North Point Hotel following obtaining the relevant hotel licences. The Directors consider that the exercise of the Option provides an opportunity for the Group (through Regal REIT) 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, whose views are set out in the “Letter from the Independent Board Committee” in this circular) consider that the terms of the NP Hotel Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACTS OF THE TRANSACTION

The Group holds a 50% equity interest in P&R Holdings which holds the entire equity interest in the Fortune Group which in turn owns the North Point Hotel. The Fortune Group is accounted for by the Group as a joint venture using equity method of accounting in the consolidated financial statements of the Company. Upon completion of the NP Hotel Transaction (pursuant to the exercise of the Option), the Fortune Group will become a subsidiary group of the Company and the financial results of the Fortune Group will be consolidated into the consolidated financial statements of the Group on a line-by-line basis.

Assets and liabilities

As set out in Appendix III to this circular, based on the assets and liabilities of the Group and the Fortune Group as at 31 December 2013 and assuming that the completion of NP Hotel Transaction had taken place as of 31 December 2013, the total assets of the Group of approximately HK\$24,334 million would be increased to approximately HK\$24,976 million for the Enlarged Group as at 31 December 2013 while the total liabilities of the Group of approximately HK\$11,222 million would be increased to approximately HK\$11,864 million for the Enlarged Group as at 31 December 2013.

LETTER FROM THE BOARD

Earnings

The operation of the North Point Hotel is anticipated to commence in or around the third quarter of 2014. The Group will manage and operate the North Point Hotel following obtaining the relevant hotel licences and the operating results of the North Point Hotel will be consolidated into the consolidated results of the Group.

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) at rentals amounting to 5%, 5.25% and 5.5% of the final exercise price of the Option respectively for the first three years of the lease. During 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 has undertaken to reimburse the Lessee in full the amount (including rent) payable by the Lessee to the NP Property Company under the NP Lease Agreement. During the period from completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the North Point Hotel until the end of the third year of the lease under the NP Lease Agreement, P&R Holdings has undertaken to reimburse any shortfall of the North Point Hotel's net income below the amount (including rent) payable by the Lessee in full to the NP Property Company under the NP Lease Agreement for the aforesaid period. Regal REIT intends to finance the consideration (net of the Option Fee and the Refundable Cash Collateral and any accrued and unpaid interest thereon) for the NP Hotel Transaction by its bank borrowings incurring interest expenses for the Group.

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

LISTING RULES IMPLICATION

Paliburg, through its wholly-owned subsidiaries, held approximately 61.6% 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 74.6% of the issued units of Regal REIT. Based on the applicable percentage ratios, the exercise of the Option constitutes a major transaction and a connected transaction for the Company subject to Independent Shareholders' approval under the Listing Rules.

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

The Board 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 exercise of the Option. As Mr. NG Siu Chan and

LETTER FROM THE BOARD

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. Ample Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the exercise of the Option.

SPECIAL GENERAL MEETING

A notice convening the SGM, at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the exercise of the Option, is contained on pages 83 to 84 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 together with his spouse and the companies controlled by him (including Century City, Paliburg and their respective subsidiaries) in aggregate holding and entitled to exercise control over the voting rights in respect of 575,734,161 Shares (representing approximately 61.69% of the issued Shares) and Miss LO Po Man holding 569,169 Shares (representing approximately 0.06% of the issued Shares) as at the Latest Practicable Date will abstain from voting at the SGM. Apart from the above interests, as at the Latest Practicable Date, no other Shareholders had a material interest in the exercise of 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 whose views are set out in the “Letter from the Independent Board Committee” in this circular) consider that the terms of the NP Hotel Transaction are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend all the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM to approve the exercise of the Option. Your attention is also drawn to the letter from the Independent Board Committee set out on page 19 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM and the letter from Ample Capital set out on pages 20 to 32 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the exercise of 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



25 June 2014

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

EXERCISE OF OPTION TO ACQUIRE NORTH POINT HOTEL

INTRODUCTION

We refer to the circular of the Company dated 25 June 2014 (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 exercise of the Option. 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 20 to 32 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

RECOMMENDATION

Having considered the terms of the NP Hotel Transaction and taking into account the independent advice of Ample Capital set out in its letter on pages 20 to 32 of the Circular and the relevant information contained in the letter from the Board, we consider that the terms of the NP Hotel Transaction are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve the exercise of the Option.

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

25 June 2014

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION EXERCISE OF OPTION TO ACQUIRE NORTH POINT HOTEL

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the exercise of the Option to acquire North Point Hotel, details of which are set out in the “Letter from the Board” in the circular dated 25 June 2014 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 28 June 2013, P&R Holdings (a 50%-owned joint venture of the Group) and the Trustee (in its capacity as trustee and on behalf of Regal REIT, a subsidiary of the Company), among other parties, entered into the Option Agreement pursuant to which P&R Holdings granted the Option to the Trustee. On 15 May 2014, the Trustee delivered the Exercise Notice to P&R Holdings, pursuant to which the Trustee has conditionally exercised the Option to acquire from P&R Holdings the entire issued share capital of and the shareholder loans to Fortune Mine (which, through its wholly-owned subsidiary, owns the North Point Hotel) for a consideration of HK\$1,650 million plus a customary adjustment as detailed below.

Regal REIT is a listed subsidiary of the Company. As at the Latest Practicable Date, the Company held approximately 74.6% of the issued units of Regal REIT. Paliburg, through its wholly-owned

LETTER FROM AMPLE CAPITAL

subsidiaries, held approximately 61.6% 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.

Based on the applicable percentage ratios, the exercise of the Option constitutes a major and 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 exercise of the Option.

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 together with his spouse and the companies controlled by him (including Century City, Paliburg and their respective subsidiaries) in aggregate holding and entitled to exercise control over the voting rights in respect of 575,734,161 Shares (representing approximately 61.69% of the issued Shares) and Miss LO Po Man holding 569,169 Shares (representing approximately 0.06% of the issued Shares) as at the Latest Practicable Date will abstain from voting at the SGM. Apart from the above interests, as at the Latest Practicable Date, no other Shareholders had a material interest in the exercise of 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.

Mr. LO Yuk Sui, Miss LO Po Man, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To 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 and have abstained from voting on the relevant board resolutions relating to the exercise of the Option.

The Board 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 exercise of the Option. As Mr. NG Siu Chan and Mr. WONG Chi Keung, the other two 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 NP Hotel Transaction 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 exercise of the Option, the Circular, the Option Agreement, the valuation report on the North Point Hotel (the "**Valuation Report**") prepared by Savills which is an independent property valuer, the cash flow projections prepared by Savills, the annual reports of the Company and the operating results of the Wan Chai Regal iclub Hotel. We have

LETTER FROM AMPLE CAPITAL

reviewed the opinion and valuation in relation to the North Point Hotel provided by Savills. Based on the foregoing, we consider that we have taken all reasonable steps, which are applicable to the NP Hotel Transaction contemplated under 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 considered such other information, analyses and market data which we deemed relevant. 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 and the Enlarged 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, 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 NP Hotel Transaction 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 of the Group (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 based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

BACKGROUND AND REASONS FOR THE EXERCISE OF THE OPTION

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 below sets out the financial information of the Group for the five financial years ended 31 December 2013.

		Year ended 31 December			
	2009	2010	2011	2012	2013
		<i>in HK\$ millions</i>			
Revenue	1,381	1,503	2,037	2,331	3,570
Net asset value per ordinary share attributable to equity holders of the parent			<i>In HK\$</i>		
- Book	4.43	11.51	11.53	12.17	12.47
- Unaudited adjusted ¹	11.14	12.48	14.80	18.27	18.85

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.

LETTER FROM AMPLE CAPITAL

For the five years ended 31 December 2013, the Group's revenue experienced a steady growth from HK\$1,381 million in 2009 to HK\$3,570 million in 2013. During the same period, net asset value per share also grew steadily from HK\$4.43 per share to HK\$12.47 per share (book value) or from HK\$11.14 per share to HK\$18.85 per share (unaudited adjusted value).

During the year ended 31 December 2013, the five Regal Hotels in Hong Kong have all achieved steady progress. The combined average occupancy rate for these five hotels was 90.2%. The Regal iclub Hotel in Wan Chai, which is owned and self-operated by Regal REIT, continued to enjoy strong demand with the occupancy rate reaching to almost 100% and the "iclub Sheung Wan Hotel" will be operated as an upscale select-service hotel modelled on the successful operations of the Wan Chai Regal iClub Hotel.

To further strengthen the marketing platform and to enhance internet connectivity, a new centralised property management system connecting all the Group's hotels in Hong Kong is being implemented and an increasing number of room reservations is being made through the internet. All the six Regal Hotels in Hong Kong as well as the soon to open "iclub Sheung Wan Hotel", are managed by the Hotel Manager, a wholly-owned subsidiary of the Company.

The Hong Kong Special Administrative Region Government has embarked on various initiatives to increase tourism facilities, such as the Kai Tak International Cruise Terminal and is undertaking ten 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. The Directors consider that the Regal iClub Hotel in Wan Chai has proven to be a successful business model, which has generated for Regal REIT good investment returns and capital appreciation. Regal REIT has substantial unutilised financing capabilities that can be used to fund its future expansion programmes and will continue to review yield accretive acquisition opportunities, including North Point Hotel under the Option Agreement, with a view to achieving enhanced earnings and capital growth.

The construction of the North Point Hotel has been completed and the relevant occupation permit was issued on 5 May 2014. The hotel is expected to commence operations in or around the third quarter of 2014. Pursuant to the exercise of the Option, Regal REIT will acquire from P&R Holdings the entire equity interest in Fortune Mine (which, through its wholly-owned subsidiary, owns the North Point Hotel) at a consideration which was determined with reference to an independent valuation on the North Point Hotel. Regal REIT intends to finance the payment of the consideration (net of the Option Fee and the Refundable Cash Collateral and any accrued and unpaid interest thereon) for the NP Hotel Transaction by its bank borrowings. The Group will manage and operate the North Point Hotel following obtaining the relevant hotel licences. The Directors consider that the exercise of the Option provides an opportunity for the Group (through Regal REIT) to consolidate its interest in the North Point Hotel which will be managed and operated by the Group.

LETTER FROM AMPLE CAPITAL

As confirmed by the Management, it believes the exercise of the Option by Regal REIT is in line with the Group's expansion plan and the Group is committed to, through Regal REIT or otherwise, 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 NP Hotel Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EXERCISE OF OPTION TO ACQUIRE NORTH POINT HOTEL

We set out below summary of the exercise of the Option. Please refer to the paragraph headed "Exercise of Option to Acquire North Point Hotel" of the "Letter from the Board" of the Circular for details.

Option Exercise Date:	15 May 2014
Parties:	Vendor: P&R Holdings
	Purchaser: Trustee, in its capacity as trustee 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
Assets to be acquired upon exercise of the Option:	<ol style="list-style-type: none">1. The entire issued share capital of Fortune Mine2. The NP Shareholder Loan as at the date of completion which amounted to HK\$335.9 million as at the Latest Practicable Date

Upon completion of the NP Hotel Transaction pursuant to the exercise of the Option, Fortune Mine will be wholly-owned by Regal REIT (a 74.6%-owned subsidiary of the Company) and will become a non-wholly-owned subsidiary of the Company.

LETTER FROM AMPLE CAPITAL

North Point Hotel has 32 storeys with 338 guestrooms. Development of the North Point Hotel commenced in 2011. The construction works of the hotel have been completed and the occupation permit as required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) was granted by the Building Authority on 5 May 2014. The operation of the North Point Hotel is anticipated to commence in or around the third quarter of 2014. Branded as an “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.

Consideration: According to the terms of the Option Agreement, the total consideration for the NP Hotel Transaction shall remain as HK\$1,650 million as appraised by Savills on an as-completed basis as of 30 April 2014 *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 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 2013, the current assets of the Fortune Group amounted to HK\$1.4 million. Apart from the North Point Hotel and the current assets, the Fortune Group does not have any other assets. As at 31 December 2013, apart from the NP Shareholder Loan, the Fortune Group had bank borrowings of approximately HK\$317.8 million which will be fully repaid on or before the date of completion of the NP Hotel Transaction.

The consideration shall be payable by the Trustee (on behalf of Regal REIT) in cash at completion of the NP Hotel Transaction. The Option Fee (of HK\$10 million) and the Refundable Cash Collateral (of HK\$990 million) and any accrued and unpaid interest will be applied to settle part of the consideration. Regal REIT intends to finance the payment of the consideration (net of the aforesaid amounts) by its bank borrowings.

Construction undertakings: P&R Holdings and the Guarantors (on a several basis in equal proportions) have procured 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 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”.

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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.

The construction of the North Point Hotel has been completed pursuant to the construction undertakings.

Interior Fit-Out Programme:	P&R Holdings has undertaken that it will execute and complete (or procure the completion of) at its sole cost and expense (estimated to be approximately HK\$79.9 million), 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 conditions satisfactory to the Manager.
Representations, Warranties and Indemnity:	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 by P&R Holdings under the Option Agreement.
Deed of tax indemnity:	P&R Holdings and the Guarantors (on a several basis in equal proportions) 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.

We have reviewed the terms of the NP Hotel Transaction 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 (“PolyU”), the number of 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. In April, 2013, the Pacific Asia Travel Association (PATA) and PolyU released their joint publication, the Asia Pacific Visitor Forecasts 2013-2017. The forecasts show that visitor arrivals to the Asia Pacific region will reach 581 million by 2017; (source: <http://www.tourismforecasting.net>)

LETTER FROM AMPLE CAPITAL

- (ii) 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;
- (iii) The construction of the North Point Hotel has been completed and the hotel is expected to commence operations in or around the third quarter of 2014. The construction of the North Point Hotel has been completed pursuant to the construction undertakings. P&R Holdings has undertaken that it will ensure completion of the Interior Fit-Out Programme, in accordance with agreed specifications, fittings and fixtures; and
- (iv) 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 by P&R Holdings. They will also indemnify Regal REIT any liability for taxation resulting from any event occurring or any income accrued or received by the Fortune Group on or before the completion of the NP Hotel Transaction.

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

2. Basis of the North Point Hotel Valuation

In the course of assessing the fairness of the appraised value of the North Point Hotel, we have reviewed the valuation report and the cash flow projections prepared by Savills, operating results of the Wan Chai Regal iclub Hotel, Hotel Room Occupancy Report — Mar 2014 issued by Hong Kong Tourism Board and Property Market Statistics (source: Rating and Valuation Department of the Government of Hong Kong).

We note that the signatory of the valuation report is a Chartered Estate Surveyor with about 29 years' experience in the valuation of properties in Hong Kong and the PRC and we have obtained and reviewed the relevant supporting documents for the signatory's professional qualifications. We have reviewed the track record of Savills showing its recent experience in the valuation of other properties similar to the North Point Hotel. Savills confirmed that, except for normal valuation assignments, it does not have any current or prior relationships with the Company, P&R Holdings and connected persons of the Company and P&R Holding. We have reviewed the letter of engagement between Savills and the Company and consider that the terms are on normal commercial terms and its scope of work is appropriate for Savills to carry out its duty in the North Point Hotel valuation. Furthermore, we have been advised by Savills that the information relied upon by them is accurate and complete, and we have also inquired with Savills and understand that the Company has not made any representation to Savills. We have also reviewed and discussed with Savills the methodology, basis and assumptions adopted for the valuation of the North Point Hotel. We note that Savills has adopted the income capitalization (discounted cash flow analysis) which is a common practice for property valuation and counter-checked by the direct comparison approach in the valuation of the North Point Hotel.

LETTER FROM AMPLE CAPITAL

As the hotel will be held for long term investment, Savills 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 of 7.25%. The discount rate is based on (i) the risk free rate taking reference from the prevailing yield of the 10-year Hong Kong Exchange Fund Notes (approximately 2%) plus (ii) a risk premium for risks taken for holding the North Point Hotel for investment having regard to the expected return in relation to expected inflation (approximately 3% per annum) and characteristics of the North Point Hotel. According to Gordon Growth Model, the discount rate is approximately equal to the capitalization rate plus the long term growth rate. In this case, capitalization rate is 4.25% and the long term growth rate is approximate to the inflation rate of about 3%. By adding the two figures, the discount rate of 7.25% is arrived.

According to Savills, in determining the capitalization rate of 4.25% for the North Point Hotel, reference is made to the yields achieved in analyzed market sale of hotel premises and after taking into account the quality of the investment. Also taken into account is the expectation of the potential of future rental growth and capital appreciation, risk factor and the like. We have reviewed the market yields of the hotel transactions which are available in the market. We note that 4.25% capitalization rate adopted by Savills is within the range of the market yields of 4.1% to 5.2% in relation to the comparable transactions. Furthermore, there is a declining trend of property yield as stated in the Property Market Statistics (sources: Rating and Valuation Department of the Government of Hong Kong). In this regard, we consider 4.25% adopted as capitalization rate and 7.25% as discount rate for North Point Hotel reasonable.

The hotel is hypothetically assumed to be sold at the end of the ten years period at a price equal to the net cash flow of the property from the 11th year onward capitalized at the capitalization rate of 4.25%. According to Savills, it is a common practice for hotel valuation to adopt a 10-year projection time frame in the discounted cashflow analysis. 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 North Point Hotel. Due consideration has been given to the expectation of the renewal of the Government lease upon expiry according to the prevailing government policy.

We note that the valuation report has been made on the assumption that the North Point Hotel is subject to the NP Lease Agreement made between the Lessee and the NP Property Company. Under the NP Lease Agreement, the Lessee, a wholly-owned subsidiary of the Company, will lease from Regal REIT the North Point Hotel and is obliged to pay rental (the “**Rental**”) of approximately HK\$82.5 million, HK\$86.63 million and HK\$90.75 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 final exercise price (i.e. HK\$1,650 million)). Savills 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 North Point Hotel would at least meet the rental expenses under the NP Lease Agreement during the first three years of the North Point Hotel’s operations, P&R Holdings undertakes to reimburse the

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Lessee 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 NP Lease Agreement (the “**Reimbursement**”). Please refer to the Section headed “Undertaking by P&R Holdings” of the “Letter from the Board” for more details.

The North Point Hotel will be operated under the “iclub by Regal” brand. As advised by the Management, the Wan Chai Regal iclub Hotel is similar to the North Point Hotel (in completed state) in terms of market positioning and class, 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 Wan Chai Regal iclub Hotel during the year ended 31 December 2013 with the cash flow projections prepared by Savills. We note that the revenue and expenses projections of the North Point Hotel are generally in line with those of the Wan Chai Regal iclub Hotel. Therefore, we consider that such projections are reasonable.

Wan Chai Regal iClub Hotel continued to enjoy strong demand, with the 2013 year-round average occupancy rate reaching very close to 100% from 97.4% in 2012. However, the average room rate has reduced by 7.4% from around HK\$1,303 in 2012 to about HK\$1,208 in 2013. This was attributable to the increase in new hotel rooms supply and competition in introductory room rates of new competitors in the Hong Kong Island. New supply in Wan Chai area accounted for about 18% of Hong Kong’s aggregate new room supply for 2013. The non-hotel portions of Regal iClub Hotel, comprising the portion of the ground floor and other areas on the 27th to 29th floor of the premises, were leased to third party operators, generated rental income of approximating HK\$5.1 million in 2013. With the positive business trend since the full acquisition of the Wan Chai Regal iClub Hotel in 2010, the Manager is convinced that iClub Hotel’s operating model and the hotel product protocol consistently appeal to target hotel guests of this sector.

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 price per guest room. We have reviewed a full list of hotel transactions from January 2013 to the date of valuation (i.e. 30 April 2014) registered with the Land Registry (source: <http://www.eprc.com.hk>) provided by Savills. After the exclusion of a hotel in the New Territories, the transaction prices per guest room are ranging from about HK\$4 million to HK\$10 million. The North Point Hotel transaction price per guest room of HK\$4.88 million is within the range of the recent hotel transactions.

However, we noted from the information provided by Savills that all of the hotels transacted from January 2013 to the date of valuation as registered with the Land Registry (excluding the aforementioned transaction of a hotel located in the New Territories) are small hotels with less than 50 rooms. Since there are no recent transactions of hotels with attributes similar to the North Point Hotel, priority is given to the discounted cash flow approach and the direct comparison approach provides a reference check for the valuation arrived from discounted cash flow only. We believe that the discounted cash flow analysis is a reasonable valuation approach for assessing the market value of the North Point Hotel as it is an income-producing property and it would better reflect specific characteristics such as the fixed and reversionary rents, lease duration, hotel management arrangement, room rate growth, occupancy rates and all outgoings. It is also appropriate to use direct comparison approach to reference check to ensure that the valuations are reasonable.

LETTER FROM AMPLE CAPITAL

3. Benefits of the exercise of the Option to the Shareholders

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

- (i) the investment in the North Point Hotel will grow the scale of the Group. Upon exercise of the Option, the North Point Hotel would increase the hotel room inventory for Regal REIT's investment portfolio to 4,570 guestrooms and suites. 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 seven 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;
- (ii) 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 Regal REIT, and will continue to enhance the brand name of "iclub by Regal" since the full operation of Wan Chai Regal iclub Hotel commenced in December 2010; and
- (iii) According to the Hong Kong Tourism Report published in February 2014, 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 through to 2018. They expect arrivals to increase at a rate of around 8% per year throughout the forecast period, leading to an impressive annual arrivals figure of more than 78 million. This is an increase of more than 25 million on the estimated 2013 arrivals of about 53 million. Therefore, it is expected that the North Point 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 NP Hotel Transaction is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE NP HOTEL TRANSACTION

The Group holds a 50% equity interest in P&R Holdings which holds the entire equity interest in the Fortune Group which in turn owns the North Point Hotel. Fortune Group is accounted for by the Company as a joint venture using equity method of accounting in the consolidated financial statements of the Company. Upon completion of the NP Hotel Transaction, the Fortune Group will become a subsidiary group of the Company and the financial results of the Fortune Group will be consolidated into the consolidated financial statements of the Company on a line-by-line basis.

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The Group will manage and operate the North Point Hotel following obtaining the relevant hotel licences and the operating results of the North Point Hotel will be consolidated into the consolidated results of the Group. 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 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.

We set out below some financial information as extracted from the unaudited pro forma assets and liabilities of the Enlarged Group as at 31 December 2013 as set out in Appendix III to the Circular:

	The Group as at 31 December 2013 <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	1,787	1,782
Total assets	24,334	24,976
Net debt (total borrowings net of cash)	7,942	8,588
Net asset value	13,112	13,112
Gearing ratio (Net debt / total assets)	32.6%	34.4%

1. Net Assets

The net asset value of the Group as at 31 December 2013 amounted to approximately HK\$13,112 million which is the same as the unaudited pro forma net asset value of the Enlarged Group. Therefore, the NP Hotel Transaction are not expected to have any significant impact on the Group's net asset value as at 31 December 2013.

2. Gearing

The Group's gearing ratio (net debt / total assets) as at 31 December 2013 was approximately 32.6%. After combining the financial statements of the Group and the Fortune Group as well as taking into account the pro forma adjustments in relation to the NP Hotel Transaction, the unaudited pro forma gearing ratio of the Enlarged Group would be 34.4%, representing an approximately 5.5% increase.

LETTER FROM AMPLE CAPITAL

3. Liquidity

The consideration shall be payable by the Trustee in cash at completion of the NP Hotel Transaction. The Option Fee (HK\$10 million) and the Refundable Cash Collateral (HK\$990 million) and any accrued and unpaid interest will be applied to settle part of the consideration. Regal REIT intends to finance the payment of the balance consideration of approximately HK\$642 million (net of the aforesaid amounts) by its bank borrowings. The Group's total cash and bank balances will decrease from about HK\$1,787 million to HK\$1,782 million, representing an approximately 0.3% decrease. Accordingly, we believe that the NP Hotel Transaction will not have any significant impact on the Group's liquidity.

4. Earnings

Pursuant to the undertakings mentioned above, P&R Holdings shall reimburse the Lessee in full any shortfall in case the income to be derived by the Lessee from the North Point Hotel is not sufficient to cover the payments (including rent) under the NP Lease Agreement during the first three years of the lease term. Therefore, the aggregate amount of (i) income to be generated from the North Point Hotel and (ii) the reimbursed amount (if any) 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 final exercise price (i.e. HK\$1,650 million). The Management expects that Regal REIT's effective interest cost per annum in respect of the bank financing used to finance the NP Hotel Transaction will be about Hong Kong interbank offer rate ("HIBOR") plus 1.6% which is below the rental yield level under the NP Lease Agreement, saving any undue fluctuation in the interbank interest rate market. As at the Latest Practicable Date, the HIBOR is less than 1% (source: The Hong Kong Association of Banks). Therefore, we believe that the NP Hotel Transaction will have an accretive impact on the Group's earnings during the North Point Hotel's first three years of operations.

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 NP Hotel Transaction.

RECOMMENDATION

Having considered the aforesaid principal factors, we are of the view that the terms of the NP Hotel Transaction 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 NP Hotel Transaction 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 2011, 2012 AND 2013

Financial information of the Group for each of the years ended 31 December 2011, 2012 and 2013 is disclosed on pages 59 to 152 of the annual report of the Company for the year ended 31 December 2011, pages 67 to 159 of the annual report of the Company for the year ended 31 December 2012 and pages 76 to 174 of the annual report of the Company for the year ended 31 December 2013, 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 30 April 2014, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding borrowings of approximately HK\$10,180.9 million which represented (i) bank loans of HK\$5,917.0 million secured by certain of the Enlarged Group's property, plant and equipment, investment properties and properties held for sale, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances, (ii) unsecured notes of US\$300.0 million (approximately HK\$2,325.9 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\$1,163.0 million) issued under a US\$1,000.0 million medium term note programme of Regal REIT ("**Regal REIT MTN Programme**").

Apart from the indebtedness under the Regal REIT MTN Programme which was guaranteed by the trustee of Regal REIT (on behalf of Regal REIT) and except for a bank loan of HK\$104.0 million, all of the above outstanding borrowings of the Enlarged Group were guaranteed by the Company or certain of its subsidiaries.

As at the close of business on 30 April 2014, 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 joint venture of the Group of approximately HK\$1,654.0 million, of which approximately HK\$1,278.5 million was utilised.

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 30 April 2014, 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

Set out below are the financial and trading prospects of the Enlarged Group comprising the Group and the Fortune Group.

The anticipated commissioning date for the Hong Kong-Zhuhai-Macao Bridge is scheduled by the end of 2016, which will provide a new land transport link between the east and west coasts of the Pearl River. Moreover, the 26-km long Hong Kong section of the Guangzhou-Shenzhen-Hong Kong

Express Rail Link is being constructed to connect Hong Kong with the 16,000-km National High-speed Railway Network and is expected to strengthen Hong Kong's role as the southern gateway to the Mainland. These new infrastructure projects will stimulate further economic growth within the region and bring an increasing number of visitor arrivals to Hong Kong.

The Government of Hong Kong has been taking initiatives to increase Hong Kong's capacity to receive tourists and intends to continue investing in various infrastructural developments and tourism landscapes. These will include the planned expansion of the Hong Kong International Airport into a three-runway system, the Kai Tak Fantasy Project to turn the Kai Tak Development Area, including the Kai Tak International Cruise Terminal, into a recreational landmark, and the continuing expansion projects at Hong Kong Disneyland and the Ocean Park. All these developments will have a significant positive impact in meeting the demands of an increasing number of global and regional visitors to Hong Kong.

The Group is optimistic that the tourism and hotel markets in Hong Kong will continue to grow. As Regal REIT is the only listed hospitality real estate investment trust with market concentration in Hong Kong, the Group is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotel owners in Hong Kong. The Regal iClub Hotel in Wan Chai has proven to be a successful business model, which has generated for Regal REIT good investment returns and capital appreciation, and the Group has the same optimistic expectations for the new "iclub Sheung Wan Hotel". Regal REIT has substantial unutilised financing capabilities that can be used to fund its future expansion programmes and will continue to review yield accretive acquisition opportunities, with a view to achieving enhanced earnings and capital growth. Regal REIT has recently exercised the Option to acquire the North Point Hotel. The construction works of the North Point Hotel have been completed and the occupation permit as required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) has been granted by the Building Authority. 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.

The Group has made substantial investments during the year ended 31 December 2013 in its planned business expansion, including investment in the property and other investment businesses. It is inevitable that the increased finance costs on the medium term notes issued to fund business expansion would have some short term impact on the Group's results during the initial period of the investment cycle. The Directors are confident that when the investments undertaken gradually become mature, particularly when the property projects undertaken by P&R Holdings are completed and sold in the course of the next few years, significant cash flow and profit contribution will be generated for the Group.

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 NP Hotel Transaction, 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 FORTUNE GROUP

A. ACCOUNTANTS' REPORT IN RESPECT OF THE FORTUNE GROUP

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



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25 June 2014

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 Fortune Mine Limited (“Fortune Mine”) and its subsidiary, Wise Decade Investments Limited (the “NP Property Company”) (hereinafter collectively referred to as the “Fortune Group”) comprising the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 23rd May, 2011 (date of incorporation) to 31st December, 2011 and each of the years ended 31st December, 2012 and 2013 (the “Relevant Periods”), and the consolidated statements of financial position of the Fortune Group as at 31st December, 2011, 2012 and 2013, 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 acquisition of the entire issued share capital of Fortune Mine by DB Trustees (Hong Kong) Limited (the “Trustee”), in its capacity as trustee of Regal Real Estate Investment Trust; and (ii) the assignment of all amounts due, owing or payable by Fortune Mine to P&R Holdings Limited (“P&R Holdings”) to the Trustee, pursuant to the exercise of the call option granted by P&R Holdings.

Fortune Mine was incorporated in the British Virgin Islands with limited liability on 23rd May, 2011. The NP Property Company, a company incorporated in Hong Kong with limited liability on 22nd February, 2011, is a wholly-owned subsidiary of Fortune Mine. The principal activity of Fortune Mine is investment holding and the principal activity of the Fortune Group is property development. Fortune Mine and the NP Property Company have adopted 31st December as their financial year end date.

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

As at the date of this report, no statutory financial statements have been prepared for Fortune Mine 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 NP Property Company for the period from 22nd February, 2011 (date of incorporation) to 31st December, 2011 and each of the years ended 31st December, 2012 and 2013 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 Fortune Mine (the “Directors”) have prepared the consolidated financial statements of the Fortune Group (the “Underlying Financial Statements”) in accordance with HKFRSs. The Underlying Financial Statements for the period from 23rd May, 2011 (date of incorporation) to 31st December, 2011 and each of the years ended 31st December, 2012 and 2013 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 of RHIHL are responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs and accounting policies adopted by RHIHL, and for such internal control as the directors of RHIHL determine is necessary to enable the preparation of 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 Fortune Group as at 31st December, 2011, 2012 and 2013 and of the consolidated results and cash flows of the Fortune Group for each of the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

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

		Period from 23rd May, 2011 (date of incorporation) to 31st December,	Year ended 31st December,	Year ended 31st December,
	<i>Notes</i>	2011	2012	2013
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
REVENUE	3(a)	—	—	—
Administrative expenses		<u>(40,955)</u>	<u>(77,223)</u>	<u>(87,569)</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD/YEAR	4	<u>(40,955)</u>	<u>(77,223)</u>	<u>(87,569)</u>

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31st December,		
	<i>Notes</i>	2011	2012	2013
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
NON-CURRENT ASSET				
Property, plant and equipment	8	<u>480,479,791</u>	<u>519,617,923</u>	<u>655,207,512</u>
CURRENT ASSETS				
Deposits and prepayments		—	68,000	1,353,498
Other receivable		12,619	—	—
Bank balance		<u>—</u>	<u>75,332</u>	<u>66,037</u>
Total current assets		<u>12,619</u>	<u>143,332</u>	<u>1,419,535</u>
CURRENT LIABILITIES				
Creditors and accruals		(103,500)	(1,788,662)	(23,908,430)
Interest bearing bank borrowing	9	<u>—</u>	<u>—</u>	<u>(317,778,931)</u>
Total current liabilities		<u>(103,500)</u>	<u>(1,788,662)</u>	<u>(341,687,361)</u>
NET CURRENT LIABILITIES				
		<u>(90,881)</u>	<u>(1,645,330)</u>	<u>(340,267,826)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
		<u>480,388,910</u>	<u>517,972,593</u>	<u>314,939,686</u>
NON-CURRENT LIABILITIES				
Amount due to the immediate holding company	11(b)	(480,429,857)	(260,897,180)	(315,145,425)
Interest bearing bank borrowing	9	<u>—</u>	<u>(257,193,583)</u>	<u>—</u>
Total non-current liabilities		<u>(480,429,857)</u>	<u>(518,090,763)</u>	<u>(315,145,425)</u>
Net liabilities		<u>(40,947)</u>	<u>(118,170)</u>	<u>(205,739)</u>
EQUITY				
Issued capital	10	8	8	8
Accumulated losses		<u>(40,955)</u>	<u>(118,178)</u>	<u>(205,747)</u>
Total equity		<u>(40,947)</u>	<u>(118,170)</u>	<u>(205,739)</u>

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Issued capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total equity <i>HK\$</i>
Issue of ordinary share	10	8	—	8
Loss and total comprehensive loss for the period		—	(40,955)	(40,955)
At 31st December, 2011 and 1st January, 2012		8	(40,955)	(40,947)
Loss and total comprehensive loss for the year		—	(77,223)	(77,223)
At 31st December, 2012 and 1st January, 2013		8	(118,178)	(118,170)
Loss and total comprehensive loss for the year		—	(87,569)	(87,569)
At 31st December, 2013		<u>8</u>	<u>(205,747)</u>	<u>(205,739)</u>

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from 23rd May, 2011 (date of incorporation) to 31st December, 2011 HK\$	Year ended 31st December, 2012 HK\$	Year ended 31st December, 2013 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period/year	(40,955)	(77,223)	(87,569)
Increase in deposits and prepayments	—	(68,000)	(1,285,498)
Decrease/(increase) in other receivable	(12,619)	12,619	—
Increase in creditors and accruals	<u>30,000</u>	<u>20,000</u>	<u>30,000</u>
Net cash flows used in operating activities	<u>(23,574)</u>	<u>(112,604)</u>	<u>(1,343,067)</u>
CASH FLOWS USED IN INVESTING ACTIVITY			
Additions to property, plant and equipment	<u>(480,406,291)</u>	<u>(34,360,100)</u>	<u>(103,077,278)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net advance from/(repayment to) the immediate holding company	480,429,865	(219,532,677)	54,248,245
Drawdown of a bank loan	—	260,640,000	59,000,000
Payment of loan costs	—	(4,344,861)	(1,275,932)
Interest paid	<u>—</u>	<u>(2,214,426)</u>	<u>(7,561,263)</u>
Net cash flows from financing activities	<u>480,429,865</u>	<u>34,548,036</u>	<u>104,411,050</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period/year	<u>—</u>	<u>—</u>	<u>75,332</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	<u>—</u>	<u>75,332</u>	<u>66,037</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Bank balance	<u>—</u>	<u>75,332</u>	<u>66,037</u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Fortune Mine is a limited company incorporated in the British Virgin Islands. The registered address of Fortune Mine is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Since incorporation, in the opinion of the Directors, the holding company of Fortune Mine is P&R Holdings, which was incorporated in the British Virgin Islands. P&R Holdings is a joint venture 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 of Hong Kong Limited (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 is a joint venture 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. Century City International Holdings Limited (“CCIHL”), which was incorporated in Bermuda and is listed on the Stock Exchange, is the listed holding company of PHL. Thereafter, in the opinion of the Directors, the ultimate holding company of Fortune Mine changed to CCIHL.

2.1 BASIS OF PRESENTATION

The Financial Information incorporates the financial statements of the Fortune Group for the Relevant Periods. The financial statements of the subsidiary are prepared for the same reporting period as Fortune Mine, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which Fortune Mine obtains control, and continue to be consolidated until the date that such control ceases. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Fortune Group are eliminated in full on consolidation.

Fortune Mine reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiary below. A change in ownership interest of the subsidiary, without a loss of control, is accounted for as an equity transaction.

If Fortune Mine loses control over the 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 Fortune Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if Fortune Mine had directly disposed of the related assets or liabilities.

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

Notwithstanding that the Fortune Group had net current liabilities and net 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 Fortune 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, 2013, together with the relevant transitional provisions, have been early adopted by the Fortune Group in the preparation of the Financial Information throughout the Relevant Periods.

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

HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	<i>Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities</i> ¹
HKFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ⁵
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKAS 16 and HKAS 38 Amendments	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ⁵
HKAS 19 Amendments	<i>Amendments to HKAS 19 Employee Benefits — Defined Benefit Plans: Employee Contributions</i> ²
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 39 Amendments	<i>Amendments to HKAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹
<i>Annual Improvements 2010-2012 Cycle</i>	<i>Amendments to a number of HKFRSs issued in January 2014</i> ²
<i>Annual Improvements 2011-2013 Cycle</i>	<i>Amendments to a number of HKFRSs issued in January 2014</i> ²

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

- ¹ Effective for annual periods beginning on or after 1st January, 2014
- ² Effective for annual periods beginning on or after 1st July, 2014
- ³ Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016 and not applicable to the Fortune Group
- ⁴ No mandatory effective date yet determined but is available for adoption
- ⁵ Effective for annual periods beginning on or after 1st January, 2016

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Subsidiary**

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Fortune Mine. Control is achieved when Fortune Mine is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Fortune Mine the current ability to direct the relevant activities of the investee).

When Fortune Mine has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Fortune Mine considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) its voting rights and potential voting rights.

(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 of disposal, 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.

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 are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs that are attributable to the acquisition of the financial assets.

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.

(e) Impairment of financial assets

The Fortune 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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

For financial assets carried at amortised cost, the Fortune Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the NP Target 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.

The amount of any impairment loss identified 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).

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 Fortune 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.

(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 primarily derecognised (i.e., removed from the Fortune Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Fortune 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 Fortune Group has transferred substantially all the risks and rewards of the asset; or (ii) the Fortune Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fortune 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 Fortune Group continues to recognise the transferred asset to the extent of the Fortune Group's continuing involvement. In that case, the Fortune 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 Fortune Group has retained.

(g) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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.

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 Fortune 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.

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.

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

(l) Related parties

A party is considered to be related to the Fortune 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 Fortune Group;
 - (2) has significant influence over the Fortune Group; or
 - (3) is a member of the key management personnel of the Fortune Group or of a parent of the Fortune Group; or
- (ii) the party is an entity where any of the following conditions applies:
 - (1) the entity and the Fortune 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 Fortune 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;
 - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Fortune Group or an entity related to the Fortune 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 Fortune Group's cash management.

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

3. REVENUE AND OPERATING SEGMENT INFORMATION**(a) Revenue**

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

(b) Operating segment information

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

All of the Fortune Group's assets and liabilities as at the end of each of the Relevant Periods were located in Hong Kong.

As the Fortune 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 PERIOD/YEAR

The Fortune Group's loss for the period/year is arrived at after charging auditors' remuneration of HK\$30,000, HK\$70,000 and HK\$80,000 for the period from 23rd May, 2011 (date of incorporation) to 31st December, 2011 and the years ended 31st December, 2012 and 2013, respectively.

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

5. FINANCE COSTS

	Period from 23rd May, 2011 (date of incorporation) to 31st December, 2011 HK\$	Year ended 31st December, 2012 HK\$	Year ended 31st December, 2013 HK\$
Interest on bank loan wholly repayable within five years	—	2,267,285	7,602,291
Other loan costs	—	1,020,047	2,834,609
	—	3,287,332	10,436,900
Less: Capitalised in respect of property under construction	—	(3,287,332)	(10,436,900)
	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

6. INCOME TAX

No provision for Hong Kong profits tax is required as the Fortune 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 period/year at the Hong Kong statutory tax rate to the tax expense at the effective tax rate is as follows:

	Period from 23rd May, 2011 (date of incorporation) to 31st December, 2011 HK\$	Year ended 31st December, 2012 HK\$	Year ended 31st December, 2013 HK\$
Loss for the period/year	<u>(40,955)</u>	<u>(77,223)</u>	<u>(87,569)</u>
Tax at the statutory tax rate of 16.5%	(6,758)	(12,742)	(14,449)
Expenses not deductible for tax	<u>6,758</u>	<u>12,742</u>	<u>14,449</u>
Tax charge at the Fortune 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.

8. PROPERTY, PLANT AND EQUIPMENT

	Property under construction HK\$
31st December, 2011	
Additions during the period and balance as at 31st December, 2011	<u>480,479,791</u>
31st December, 2012	
At 31st December, 2011 and 1st January, 2012:	
Cost	480,479,791
Additions during the year	<u>39,138,132</u>
Net carrying amount	<u>519,617,923</u>

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

Property under construction
HK\$

31st December, 2013

At 31st December, 2012 and 1st January, 2013:

Cost	519,617,923
Additions during the year	<u>135,589,589</u>
Net carrying amount	<u><u>655,207,512</u></u>

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

At 31st December, 2012 and 2013, the Fortune Group's property under construction with a carrying value of HK\$519,617,923 and HK\$655,207,512, respectively, was pledged to secure banking facilities granted to the Fortune Group.

9. INTEREST BEARING BANK BORROWING

	2011		2012		2013	
	<i>Maturity</i>	<i>HK\$</i>	<i>Maturity</i>	<i>HK\$</i>	<i>Maturity</i>	<i>HK\$</i>
Non-current						
Bank loan	—	—	2015	257,193,583	—	—
Current						
Bank loan	—	—	—	—	2014	<u>317,778,931</u>
	—	<u>—</u>		<u>257,193,583</u>		<u><u>317,778,931</u></u>

As at 31st December, 2012 and 2013, the Fortune 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\$264,820,000 each.

The interest bearing bank borrowing is denominated in Hong Kong dollars and bears interest at Hong Kong Interbank Offer Rate plus 2.5% per annum.

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

10. SHARE CAPITAL

	2011	2012	2013
	<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>

Fortune Mine was incorporated with authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. On incorporation, 1 ordinary share of US\$1 was issued at par to provide initial working capital.

11. RELATED PARTY TRANSACTIONS

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

<i>Notes</i>	Period from 23rd May, 2011 (date of incorporation) to 31st December, 2011	Year ended 31st December, 2012	Year ended 31st December, 2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
A related company*:			
Development consultancy fee paid (i)	<u>—</u>	<u>3,750,000</u>	<u>—</u>
Fellow subsidiaries:			
Development consultancy fee paid (i)	<u>—</u>	<u>—</u>	<u>1,875,000</u>
Construction cost paid (ii)	<u>—</u>	<u>3,552,000</u>	<u>54,076,000</u>

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

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

Notes:

- (i) On 8th August, 2011, the Fortune 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 Fortune Group in an amount of HK\$7,500,000. The fee was charged by reference to the stage of completion of the development project.
- (ii) On 4th October, 2012, the Fortune 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 Fortune Group in an amount of HK\$73,000,000. The fee was charged by reference to the value of work done as stipulated in the contract.
- (b) The amount due to the immediate holding company disclosed on the face of the consolidated statements of financial position is unsecured, interest-free and not repayable within one year.

12. COMMITMENTS

At 31st December, 2011, 2012 and 2013, the Fortune Group had the following outstanding capital commitments in respect of the property development project:

	2011	2012	2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Authorised, but not contracted for	263,541,482	115,990,269	37,307,796
Contracted, but not provided for	<u>35,268,674</u>	<u>147,511,885</u>	<u>101,293,869</u>
	<u>298,810,156</u>	<u>263,502,154</u>	<u>138,601,665</u>

13. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Fortune Group comprise deposits, other receivable and bank balance, which are categorised as loans and receivables. The carrying amounts of other receivable and bank balance are the amounts shown on the consolidated statements of financial position. The carrying amount of deposits as at 31st December, 2012 and 2013 amounted to HK\$68,000 and HK\$1,086,000, respectively.

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

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

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

As at 31st December, 2012 and 2013, it is estimated that an increase/decrease of 1% in interest rates would increase/decrease the Fortune Group's finance costs capitalised by HK\$2,606,400 and HK\$3,196,400 during the years ended 31st December, 2012 and 2013, respectively, assuming that the Fortune Group's bank borrowing outstanding at 31st December, 2012 and 2013 was outstanding for whole years ended 31st December, 2012 and 2013.

Credit risk

The credit risk of the Fortune Group's financial assets, which comprise deposits, other receivable and bank balance, 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 Fortune Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Fortune Group's operations. The Fortune Group also maintains a balance between continuity of funding and flexibility through the funding from the immediate holding company in order to meet its liquidity requirements both in the short and long terms.

The maturity profile as at 31st December, 2011, 2012 and 2013, based on the contractual undiscounted payments, was as follows:

2011

	Within 1 year	Not repayable	Total
	<i>HK\$</i>	<i>within 1 year</i>	<i>Total</i>
		<i>HK\$</i>	<i>HK\$</i>
Creditors and accruals	103,500	—	103,500
Amount due to the immediate holding company	—	480,429,857	480,429,857
	<u>103,500</u>	<u>480,429,857</u>	<u>480,533,357</u>

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

2012

	Within 1 year	Not repayable	Total
	<i>HK\$</i>	<i>within 1 year</i>	<i>HK\$</i>
		<i>HK\$</i>	<i>HK\$</i>
Creditors and accruals	1,788,662	—	1,788,662
Amount due to the immediate holding company	—	260,897,180	260,897,180
Interest bearing bank borrowing	<u>7,239,276</u>	<u>269,009,793</u>	<u>276,249,069</u>
	<u>9,027,938</u>	<u>529,906,973</u>	<u>538,934,911</u>

2013

	Within 1 year	Not repayable	Total
	<i>HK\$</i>	<i>within 1 year</i>	<i>HK\$</i>
		<i>HK\$</i>	<i>HK\$</i>
Creditors and accruals	23,908,430	—	23,908,430
Amount due to the immediate holding company	—	315,145,425	315,145,425
Interest bearing bank borrowing	<u>328,306,472</u>	<u>—</u>	<u>328,306,472</u>
	<u>352,214,902</u>	<u>315,145,425</u>	<u>667,360,327</u>

Capital management

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

The Fortune 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 Fortune Group may issue new shares. The Fortune Group is not subject to any externally imposed capital requirements.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Fortune Group or its subsidiary, the NP Property Company, in respect of any period subsequent to 31st December, 2013.

Yours faithfully
Ernst & Young
Certified Public Accountants
 Hong Kong

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE FORTUNE GROUP**Business and financial review**

The Fortune Group is principally involved in the development of the North Point Hotel which commenced in 2011. The construction works of the hotel have been completed and the occupation permit as required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) was granted by the Building Authority on 5 May 2014. The operation of the North Point Hotel is anticipated to commence in or around the third quarter of 2014. Other than the North Point Hotel, the Fortune Group does not have any other business.

As the North Point Hotel has not yet commenced operations, the Fortune Group did not record any revenue for the period from 23 May 2011 (being the date of incorporation) to 31 December 2011 and for the two years ended 31 December 2013. For the period ended 31 December 2011 and the years ended 31 December 2012 and 2013, the Fortune Group recorded net loss (both before and after tax) of approximately HK\$41,000, HK\$77,000 and HK\$88,000 respectively arising from administrative expenses.

Liquidity and financial resources

The operation of the Fortune Group is generally financed by bank borrowing and shareholder loans. The bank borrowing bears interest at Hong Kong Interbank Offer Rate plus 2.5% per annum while the shareholder loans are interest free. As at 31 December 2011, the Fortune Group did not have any outstanding bank borrowing. The Fortune Group had outstanding bank borrowings of approximately HK\$257.2 million due in 2015 as at 31 December 2012 and bank borrowings of approximately HK\$317.8 million due in 2014 as at 31 December 2013. As at 31 December 2011, 2012 and 2013, the Fortune Group had outstanding shareholder loan from P&R Holdings of approximately HK\$480.4 million, HK\$260.9 million and HK\$315.1 million respectively. As at 31 December 2011, 2012 and 2013, the gearing ratio (total bank borrowing and shareholder loans divided by total assets) of the Fortune Group was 1.0 times, 1.0 times and 0.96 times respectively.

As at 31 December 2011, 2012 and 2013, the current ratio of the Fortune Group was approximately 0.12 times, 0.08 times and 0.004 times respectively.

As at 31 December 2011, the Fortune Group did not have any cash or cash equivalents. As at 31 December 2012 and 2013, cash and cash equivalents of the Fortune Group amounted to approximately HK\$75,332 and HK\$66,037 respectively.

Material investment, acquisition and disposal of subsidiaries and associates

During the period from 23 May 2011 to 31 December 2013, save for the investment and development of the North Point Hotel, no material investment, acquisition or disposal of subsidiaries and associates was made by the Fortune Group.

Numbers and remuneration of employees

During the period from 23 May 2011 to 31 December 2013, the Fortune Group did not have any employees.

Pledge of assets

The Fortune Group had no pledge of assets at 31 December 2011. As at 31 December 2012 and 2013, the North Point Hotel, which was still under development with a carrying amount of approximately HK\$519.6 million and HK\$655.2 million respectively, was pledged to secure the banking facilities granted to the Fortune Group.

Capital commitment

As at 31 December 2011, 2012 and 2013, the Fortune Group had outstanding authorised capital commitments in respect of the development of the North Point Hotel not provided for amounting to approximately HK\$298.8 million, HK\$263.5 million and HK\$138.6 million respectively.

Exposure to foreign exchange

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

Financial instruments for hedging

During the period from 23 May 2011 to 31 December 2013, the Fortune Group did not use any financial instruments for hedging purposes.

Contingent liabilities

As at 31 December 2011, 2012 and 2013, the Fortune Group did not have any contingent liabilities.

APPENDIX II FINANCIAL INFORMATION OF THE FORTUNE GROUP

Property interest and valuation

A reconciliation of the net book value of the North Point Hotel in the consolidated financial statements as at 31 December 2013 (as set out in Appendix II to this circular) and the valuation of the North Point Hotel (on as-completed basis and as set out in Appendix IV to this circular) is set out below:

	<i>HK\$'million</i>
Net book value as at 31 December 2013	655.2
Additions	152.0*
Net book value as at 30 April 2014	807.2
Valuation surplus as at 30 April 2014	842.8
Valuation as at 30 April 2014	1,650.0

* Including construction costs, finance costs and costs of interior fit-out programme assuming completion on 30 April 2014.

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

Introduction

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (“Unaudited Pro Forma Financial Information”) has been prepared on the basis of the notes set out below for the purpose of illustrating the effects on the assets and liabilities of the Enlarged Group as if the NP Hotel Transaction had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group as at 31 December 2013 has been prepared based on (i) the audited consolidated statement of financial position of the Company as at 31 December 2013 as set out in its published annual report for the year ended 31 December 2013; (ii) the audited consolidated statement of financial position of Fortune Mine as set out in Appendix II to this circular; and (iii) the pro forma adjustments prepared to reflect the effects of the completion of the NP Hotel Transaction as explained in the notes set out below that are directly attributable to the NP Hotel Transaction and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Company as set out in its published annual report for the year ended 31 December 2013, and other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the NP Hotel Transaction been completed as at 31 December 2013 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 2013**

	The Group	The Fortune	Pro forma	<i>Notes</i>	Unaudited
	HK\$'million	Group	adjustments		pro forma
	<i>(Audited)</i>	Group	<i>(Unaudited)</i>		Enlarged
	<i>Note 1</i>	<i>(Audited)</i>	<i>(Unaudited)</i>		Group
		<i>Note 2</i>			<i>(Unaudited)</i>
NON-CURRENT ASSETS					
Property, plant and equipment	13,704.2	655.2	(655.2)	3	14,935.4
			1,650.0	3	
			2.6	4	
			(421.4)	6	
Investment properties	947.0	—	—		947.0
Investments in joint ventures	2,664.5	—	421.4	5	3,085.9
Investments in associates	21.1	—	—		21.1
Available-for-sale investments	9.1	—	—		9.1
Other loan	5.9	—	—		5.9
Debtors and deposits	2,344.0	—	—		2,344.0
Total non-current assets	<u>19,695.8</u>	<u>655.2</u>	<u>997.4</u>		<u>21,348.4</u>
CURRENT ASSETS					
Properties held for sale	790.6	—	—		790.6
Inventories	33.6	—	—		33.6
Debtors, deposits and prepayments	1,237.4	1.3	(990.0)	10	230.4
			(10.0)	10	
			(8.3)	10	
Held-to-maturity investments	188.4	—	—		188.4
Financial assets at fair value through profit or loss	580.9	—	—		580.9
Other loan	6.4	—	—		6.4
Derivative financial instruments	14.2	—	—		14.2
Restricted cash	51.9	—	—		51.9
Pledged time deposits and bank balances	431.5	—	—		431.5
Time deposits	857.3	—	—		857.3
Cash and bank balances	445.8	0.1	(2.6)	4	441.9
			(1.4)	7	
Total current assets	<u>4,638.0</u>	<u>1.4</u>	<u>(1,012.3)</u>		<u>3,627.1</u>

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

	The Group <i>HK\$'million</i> <i>(Audited)</i> <i>Note 1</i>	The Fortune Group <i>HK\$'million</i> <i>(Audited)</i> <i>Note 2</i>	Pro forma adjustments <i>HK\$'million</i> <i>(Unaudited)</i>	<i>Notes</i>	Unaudited pro forma Enlarged Group <i>HK\$'million</i> <i>(Unaudited)</i>
CURRENT LIABILITIES					
Creditors, deposits received and accruals	(391.0)	(23.9)	23.9	8	(391.0)
Interest bearing bank borrowings	(333.5)	(317.8)	317.8	9	(333.5)
Tax payable	(43.0)	—	—		(43.0)
Total current liabilities	<u>(767.5)</u>	<u>(341.7)</u>	<u>341.7</u>		<u>(767.5)</u>
NET CURRENT ASSETS/(LIABILITIES)					
	<u>3,870.5</u>	<u>(340.3)</u>	<u>(670.6)</u>		<u>2,859.6</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
	<u>23,566.3</u>	<u>314.9</u>	<u>326.8</u>		<u>24,208.0</u>
NON-CURRENT LIABILITIES					
Creditor and deposits received	(13.9)	—	—		(13.9)
Interest bearing bank borrowings	(5,171.9)	—	(641.7)	10	(5,813.6)
Other borrowings	(4,223.5)	—	—		(4,223.5)
Due to the immediate holding company	—	(315.1)	315.1	11	—
Derivative financial instruments	(4.1)	—	—		(4.1)
Deferred tax liabilities	(1,041.1)	—	—		(1,041.1)
Total non-current liabilities	<u>(10,454.5)</u>	<u>(315.1)</u>	<u>(326.6)</u>		<u>(11,096.2)</u>
Net assets	<u>13,111.8</u>	<u>(0.2)</u>	<u>0.2</u>		<u>13,111.8</u>

Notes:

- (1) The balances have been extracted from the audited consolidated statement of financial position of the Company as at 31 December 2013 as set out in its published annual report for the year ended 31 December 2013.
- (2) The balances have been extracted from the audited consolidated statement of financial position of Fortune Mine as at 31 December 2013 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 Fortune Group of HK\$655.2 million and the recognition of the related fair value upon the completion of the NP Hotel Transaction. It is assumed that the Interior Fit-Out Programme in relation to the North Point Hotel was completed as at 31 December 2013.

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

- (4) The adjustments represent the payment and capitalisation of the estimated directly attributable costs in relation to the NP Hotel Transaction.
- (5) The adjustment represents the Group's 50% share of P&R Holdings's estimated gain on disposal of the Fortune Group amounting to HK\$421.4 million upon the completion of the NP Hotel Transaction. Such estimated gain on disposal resulting from the completion of the NP Hotel Transaction was based on the consideration of HK\$1,650.0 million and the total estimated costs of the property, plant and equipment (including the Interior Fit-Out Programme) of HK\$807.2 million. It is assumed that no other expenses is payable upon the completion of the NP Hotel Transaction 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 Fortune Group amounting to HK\$421.4 million upon the completion of the NP Hotel Transaction against the property, plant and equipment, the subject of the NP Hotel Transaction.
- (7) The adjustment to the consideration on a dollar-for-dollar basis of approximately HK\$1.4 million for the current assets of the Fortune Group upon the completion of the NP Hotel Transaction.
- (8) The adjustment represents the transfer of all liabilities other than the NP Shareholder Loan to P&R Holdings upon the completion of the NP Hotel Transaction.
- (9) The adjustment represents the discharge of the interest bearing bank borrowing of the Fortune Group upon the completion of the NP Hotel Transaction.
- (10) The adjustment represents the application of the Refundable Cash Collateral of HK\$990.0 million, Option Fee of HK\$10 million and interest receivable on the Refundable Cash Collateral of HK\$8.3 million to settle part of the consideration of HK\$1,650.0 million and the drawdown of non-current bank borrowings through new bank facilities secured against the North Point Hotel and/or other assets held by Regal REIT of HK\$641.7 million.
- (11) The adjustment represents the assignment of the NP Shareholder Loan to the Group upon the completion of the NP Hotel Transaction.

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, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, in relation to the unaudited pro forma financial information of the Enlarged Group.



Ernst & Young
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25 June 2014

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

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

Dear Sirs

We have completed our assurance engagement to report on the compilation of pro forma financial information of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries (the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Group following (i) the acquisition of the entire issued share capital of Fortune Mine Limited ("Fortune Mine") by DB Trustees (Hong Kong) Limited ("Trustee"), in its capacity as trustee of Regal Real Estate Investment Trust; (ii) the assignment to the Trustee of all amounts owing by Fortune Mine to P&R Holdings Limited ("P&R Holdings"), pursuant to the exercise of the call option granted by P&R Holdings (collectively the "NP Hotel Transaction") as at 31 December 2013, and related notes as set out on pages 59 to 62 of the circular dated 25 June 2014 (the "Circular") issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page 59 of the Circular.

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

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the completion of the NP Hotel Transaction on the Group's financial position as at 31 December 2013 as if the NP Hotel Transaction had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2013, on which an annual report has been published, and information about Fortune Mine and its subsidiary (the "Fortune Group") has been extracted by the Directors from the financial statements of the Fortune Group for the year ended 31 December 2013, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 ("AG 7") *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the NP Hotel Transaction on unadjusted financial information of the Group as if the NP Hotel Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the NP Hotel Transaction would have been as presented.

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

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the NP Hotel Transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the NP Hotel Transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the 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

APPENDIX IV VALUATION REPORT ON THE NORTH POINT HOTEL

The following is the text of the valuation report received from Savills Valuation and Professional Services Limited, prepared for the purpose of inclusion in the circular, in connection with the valuation of the North Point Hotel on an as-completed basis as at 30 April 2014.

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



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

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

EA Licence: C-023750
savills.com

25 June 2014

Dear Sir/Madam

RE: VALUATION OF THE NORTH POINT HOTEL, 14-20 MERLIN STREET, NORTH POINT, HONG KONG (THE “PROPERTY”)

In accordance with your instructions for us to value the Property which is to be held by Regal Real Estate Investment Trust for investment, 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 30 April 2014 (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.

We are independent of Regal Hotels International Holdings Limited (the “Company”) and 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.

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”)

In view of the nature of the Property (i.e. hotel premises) which is normally held by a hotel operator/investor in the market for long term investment, we have adopted a 10-year projection time frame in our DCF analysis. A 10-year projection time frame in DCF analysis has been commonly adopted by investment trusts aiming at long-term investment returns, such as Real Estate Investment Trusts in Hong Kong, in evaluation of their property assets. 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 incomes 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 which reflects the time value of money in the DCF analysis and a risk premium for the forecast cash flow to be materialized. 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% based on the risk free rate by making reference to the prevailing yield of 10-year Hong Kong Exchange Fund Notes (approximately 2%) and a risk premium for risks taken for holding the Property for investment having regard to the expected return in relation to expected inflation (approximately 3% per annum) and characteristics of the Property.

As we have adopted a projection time frame up to 10 years only, the Property is hypothetically assumed to be sold at the end of the ten years period at a price equal to the net cash flow of the Property from the 11th year onward 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 according to the prevailing government policy. In determining the terminal capitalization rate for the Property, reference is made to the yields achieved in analyzed market sale of hotel premises and our knowledge of the market expectation for yields in respect of hotel properties from our day-to-day contact with property investors. Based on the information available to us, we have adopted a terminal capitalization rate of 4.25% taking into account 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

In our valuation by the Direct Comparison Approach, comparable sale transactions around the Date of Valuation are collected and analyzed in term of a price per guest room. 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. Since there are no recent transactions of hotels with attributes similar to the Property, significant adjustments based on our professional opinions are made to available market transactions. Priority is therefore given to the DCF approach and the Direct Comparison Approach (which takes into account significant adjustments) provides a reference check for the valuation arrived from DCF only, even though the valuation results from the two approaches are generally in line with each other.

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 this 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. Our inspection of the Property was carried out by Mr. Martin Wong, MRICS, on 9 April 2014. During the course of our inspection, we did not note any serious defect. However, no structural survey has been made and we are therefore unable to report as whether the Property is free of rot, infestation or any other structural defect. No tests were carried out to any of the services.

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 the 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 approved building plans for the Property. Our valuation is based on the assumption that the Property is fully developed and completed in accordance with the approved building plans 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 Wan Chai Regal iClub Hotel. Wan Chai 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 Wan Chai.

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 HK\$1,650 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 professional 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 the Company 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 29 years' experience in the valuation of properties in Hong Kong and the PRC.

PROPERTY

**North Point Hotel
14-20 Merlin Street
North Point
Hong Kong**

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

1. DESCRIPTION OF PROPERTY

According to a set of approved building plans provided, the Property is a 32-storey hotel and comprises 338 guestrooms. The occupation permit of the Property has been issued on 5 May 2014. According to our recent inspection, the superstructure of the Property has been completed and works for internal decoration and building services installation are in progress. As advised by the Company, the total incurred construction cost (including costs of interior fit-out programme) as at the Date of Valuation is approximately HK\$212.6 million and the total estimated construction cost (including costs of interior fit-out programme) is approximately HK\$309.9 million.

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

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

Hotel Guestroom Configuration

According to the information provided, the Property comprises 338 guestrooms.

Facilities

A lobby lounge and a business centre.

2. OWNERSHIP AND TENURE

Registered Owner	:	Wise Decade Investments Limited
Lease Term	:	The Property is held from the Government for the residue of the respective further terms of 75 years, 75 years, 75 years and 75 years all commencing from the 25th day of August 1994 under four several new Government Leases in respect of The Remaining Portion of Section P of Inland Lot No. 2273, The Remaining Portion of Subsection 1 of Section P of Inland Lot No. 2273, The Remaining Portion of Subsection 1 of Section H of Inland Lot No. 2273 and The Remaining Portion of Section H of Inland Lot No. 2273 respectively deemed to have been granted under and by virtue of the Government Leases Ordinance (Chapter 40 of the Laws of Hong Kong) upon the expiration of the initial term of 75 years created by the original Government Lease of Inland Lot No. 2273 dated 2nd April 1925 made between the late King George V of the one part and The Asiatic Petroleum Company (South China) Limited of the other part.
Government Rent	:	The total government rent payable for the lots of the Property is HK\$61,150 per annum.

Major Registered Encumbrance

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

3. ASSUMED LEASE AGREEMENT

As instructed, it is assumed that the Property is subject to the Master Lease. The Master Lease commences from the Date of Valuation and will terminate on the 31 December immediately following the fifth anniversary of the date of the commencement, unless extended for a further five years at the lessor's sole discretion. The annual rent payable in respect of the first, second and third years of the lease term shall be 5.00%, 5.25% and 5.50% respectively of HK\$1,650 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 professional property valuer who will be jointly appointed by the lessor and the lessee.

4. ASSUMED HOTEL MANAGEMENT AGREEMENT

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

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

5. ESTIMATED NET PROPERTY YIELD¹

5.0%

6. MARKET VALUE ON AN AS-COMPLETED BASIS AS AT 30 APRIL 2014

HK\$1,650,000,000 (HONG KONG DOLLARS ONE BILLION SIX HUNDRED AND FIFTY MILLION)

¹ The Estimated Net Property Yield of the Property is derived from the fixed rental receivable in the first year of the term of the Master Lease divided by the Market Value of the Property on an as-completed basis as at 30 April 2014.

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 (issued)	24,200	575,449,261 <i>(Note c)</i>	260,700	575,734,161 (61.69%)
	Miss LO Po Man	Ordinary (issued)	300,000	—	269,169 <i>(Note d)</i>	569,169 (0.06%)
	Dr. Francis CHOI Chee Ming	Ordinary (issued)	50,240,000	—	—	50,240,000 (5.38%)
	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)	100,587,396	1,769,164,691 <i>(Note a)</i>	380,683	1,870,132,770 (58.25%)
	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)	90,078,014	740,376,803 <i>(Note b)</i>	15,000	830,469,817 (74.48%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
	Mr. Donald FAN Tung	Ordinary (issued)	556	—	—	556 (0.000%)
	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)	104,200	—	—	104,200 (0.009%)
4. Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. LO Yuk Sui	Ordinary (i) (issued)	—	14,845,167,190 <i>(Note e)</i>	—	14,845,167,190
		(ii) (unissued)	—	70,761,809,500 <i>(Note f)</i>	—	70,761,809,500
	Mr. Jimmy LO Chun To	Ordinary (issued)	7,500,000	—	—	7,500,000 (0.03%)
	Miss LO Po Man	Ordinary (issued)	4,600,000	—	—	4,600,000 (0.02%)
Total:						85,606,976,690 (389.33%)

The Company/ Name of associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held		Family/ Other interests	Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Corporate interests			
5. Regal REIT	Mr. LO Yuk Sui	Units (issued)	—	2,443,033,102 (Note g)	—	2,443,033,102 (75%)	
6. 8D International (BVI) Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	1,000 (Note h)	—	1,000 (100%)	

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 693,640,547 issued ordinary shares of Paliburg were held through companies wholly-owned by Century City, in which Mr. Lo held 58.24% 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 58.24% shareholding interests as at the Latest Practicable Date, and the interests in the other 575,027,861 Shares were held through companies wholly-owned by Paliburg, in which Century City held 62.21% shareholding interests as at the Latest Practicable Date.
- (d) The interests in 269,169 Shares were held by Miss LO Po Man as the beneficiary of a trust.
- (e) The interests in 14,845,167,190 issued ordinary shares of Cosmopolitan were held through wholly-owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and the Company through their respective wholly-owned subsidiaries. Paliburg, in which Century City held approximately 62.21% shareholding interests as at the Latest Practicable Date, held approximately 61.61% shareholding interests in the Company as at the Latest Practicable Date. Mr. Lo held approximately 58.24% shareholding interests in Century City as at the Latest Practicable Date.

- (f) (i) The derivative interests in Cosmopolitan Consolidated Shares (information disclosed above in respect of 43,976,095,220 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Cosmopolitan Share Consolidation becoming effective) were acquired on 30 April 2014 through the provision of the Irrevocable Undertaking by P&R Holdings and the entering into of the Underwriting Agreement by P&R Strategic Limited as the Underwriter in connection with the Cosmopolitan Open Offer.
- (ii) The derivative interests in Cosmopolitan Consolidated Shares (information disclosed above in respect of 26,785,714,280 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Cosmopolitan Share Consolidation becoming effective) were acquired on 30 April 2014 through the entering into of the Cosmopolitan Convertible Bonds Subscription Agreement by P&R Holdings in connection with the issue by a wholly-owned subsidiary of Cosmopolitan of the Cosmopolitan Convertible Bonds with a principal amount of HK\$500 million and the Cosmopolitan Optional Convertible Bonds with a principal amount of HK\$500 million. The Cosmopolitan Convertible Bonds will be convertible into Cosmopolitan Conversion Shares at the Cosmopolitan CB Conversion Price (HK\$0.35 per Cosmopolitan Conversion Share) (subject to adjustment). The Cosmopolitan Optional Convertible Bonds will be convertible into Cosmopolitan Optional Conversion Shares at the Cosmopolitan Optional CB Conversion Price (HK\$0.40 per Cosmopolitan Optional Conversion Share) (subject to adjustment).

Capitalised terms used in note (f) shall have the same meanings as those defined in the major transaction circular of the Company dated 25 June 2014 relating to provision of financial assistance.

- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly-owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly-owned subsidiaries of the Company. The interests in 732,363 issued units of Regal REIT were held through wholly-owned subsidiaries of Paliburg. The interests in 2,687,000 issued units of Regal REIT were held through wholly-owned subsidiaries of Century City. Cosmopolitan were held as to 67.51% shareholding interests by P&R as at the Latest Practicable Date, which is owned as to 50% each by Paliburg and the Company as at the Latest Practicable Date. Paliburg, in which Century City held 62.21% shareholding interests, held 61.61% shareholding interests in the Company as at the Latest Practicable Date. Mr. Lo held 58.24% shareholding interests in Century City as at the Latest Practicable Date.
- (h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.24% shareholding interests as at the Latest Practicable Date, and 600 shares were held through a company controlled by Mr. Lo.

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 2013, 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 NP Hotel Transaction.

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 Enlarged Group.

Name of substantial shareholder	Number of issued Shares held	Number of underlying Shares held	Total number of Shares (issued and underlying) held	Approximate percentage of issued Shares as at the Latest Practicable Date
Century City (<i>Note a</i>)	575,449,261	—	575,449,261	61.66%
Century City BVI Holdings Limited ("CCBVI") (<i>Note b</i>)	575,449,261	—	575,449,261	61.66%
Paliburg (<i>Note c</i>)	575,027,861	—	575,027,861	61.61%
Paliburg Development BVI Holdings Limited (<i>Note d</i>)	575,027,861	—	575,027,861	61.61%
Guo Yui Investments Limited (<i>Note d</i>)	261,544,466	—	261,544,466	28.02%
Paliburg BVI Holdings Limited (<i>Note d</i>)	230,870,324	—	230,870,324	24.74%
Taylor Investments Ltd. (<i>Note d</i>)	154,232,305	—	154,232,305	16.53%
Glaser Holdings Limited (<i>Note d</i>)	58,682,832	—	58,682,832	6.29%

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 62.21% 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.
- (e) The entire issued share capital of Fortune Mine is held by P&R Holdings.

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.

Save as disclosed below, none of the Directors is a director or employee of the companies which have 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:

- (1) Mr. LO Yuk Sui, Miss LO Po Man, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To, 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, Miss LO Po Man, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To 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 the Company or any member of the Enlarged Group which would not expire or would not be determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

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.

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 2013, 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

The following material contracts (not being a contract in the ordinary course of business) have been entered into by the Enlarged Group within the two years immediately preceding the date of this circular:

- (a) Facility agreement dated 20 August 2013 entered into between Regal Hotels Investments Limited (“RHIL”) (a wholly-owned subsidiary of the Company) and P&R Holdings in relation to the provision of a revolving loan facility amounting up to HK\$1,000 million by RHIL to P&R Holdings; and
- (b) Facility agreement dated 16 October 2013 entered into between RHIL and P&R Holdings in relation to the provision of a revolving loan facility amounting up to HK\$550 million by RHIL to P&R Holdings.

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 2013, 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 Option Agreement;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for the years ended 31 December 2012 and 2013;
- (d) the accountants’ report on the Fortune Group for the period ended 31 December 2011 and the two years ended 31 December 2013, the text of which is set out in Appendix II of this circular;
- (e) the report from Ernst & Young on unaudited pro forma financial information, the text of which is set out in Appendix III of this circular;
- (f) the valuation report on the North Point Hotel, the text of which is set out in Appendix IV of this circular;
- (g) the written consents referred to in the section headed “Qualification and consent of experts” in this Appendix;

- (h) a copy of each of the material contracts referred to in the section headed “Material contracts” in this Appendix;
- (i) Ample Capital’s letter of advice dated 25 June 2014; and
- (j) the circular of the Company dated 25 June 2014 in relation to a major transaction for provision of financial assistance by the Group.

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, Wan Chai, 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 Monday, 14 July 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the exercise of the call option by the trustee of Regal Real Estate Investment Trust (on behalf of Regal Real Estate Investment Trust) pursuant to the Option Agreement (as defined in the circular to the shareholders of the Company dated 25 June 2014 relating to the exercise of option to acquire the North Point Hotel (as defined therein)) (the “Option”) be and is hereby approved; 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 exercise of the Option.”

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

Hong Kong, 25 June 2014

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.

NOTICE OF SGM

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, Wan Chai, 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.
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 resolution 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) 2894-7546 on that day to enquire about the arrangements of the SGM.