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

If you have sold or transferred all your securities 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, stockbroker 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
PROVISION OF FINANCIAL ASSISTANCE

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

ALTUS CAPITAL LIMITED

A notice convening the special general meeting of Regal Hotels International Holdings Limited (“**Regal**”) to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 11 October 2016 at 12:00 noon (the “**SGM**”) is appended to this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Regal’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

23 September 2016

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DEFINITIONS

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

“2011 CD Transaction”	the acquisition by P&R Holdings from Faith Crown of a 70% equity interest in the Chengdu Group and 70% of the shareholder’s loans due to Faith Crown by the Chengdu Group as jointly announced by Century City, Paliburg and Regal on 30 June 2011 and announced by Cosmopolitan on 30 June 2011
“Altus Capital”	Altus 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 Regal Independent Board Committee and the Regal Independent Shareholders on the Loan Facilities
“Ample State”	Ample State Investments Limited, a wholly-owned subsidiary of Cosmopolitan
“associate(s)”	has the meaning as defined in Chapter 14A of the Listing Rules
“Bizwise”	Bizwise Investments Limited, a wholly-owned subsidiary of Cosmopolitan
“Business Day”	any day (other than Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CB”	the convertible bonds with a principal amount of HK\$500 million (originally maturing on 18 August 2017 and is proposed to be extended to 18 August 2021) issued by the Cosmopolitan Group on 18 August 2014 to the P&R Group
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Chengdu Group”	the Joyous Unity Group and the Excel Crown Group
“Chengdu Project”	the mixed-use development project comprised of the Chengdu Properties located in Xindu District, Chengdu City, Sichuan Province, the PRC consisting of hotel, commercial, office, serviced apartments and residential components
“Chengdu Properties”	collectively Chengdu Property 1 and Chengdu Property 2

DEFINITIONS

“Chengdu Property 1”	the property comprising the residential part of the Chengdu Project
“Chengdu Property 2”	the property comprising the hotel, commercial, office and serviced apartments parts of the Chengdu Project
“Chengdu Transaction”	Chengdu Transaction A and Chengdu Transaction B
“Chengdu Transaction A”	the (a) disposal of a 70% equity interest in the Chengdu Group by P&R Holdings to Ample State; and (b) assignment of the shareholder loans due to P&R Holdings by the Chengdu Group to Ample State, pursuant to the sale and purchase agreement dated 27 June 2013 entered into between P&R Holdings and Ample State
“Chengdu Transaction B”	the (a) disposal of a 30% equity interest in the Chengdu Group by Faith Crown to Ample State; and (b) assignment of the shareholder loans due to Faith Crown by the Chengdu Group to Ample State, pursuant to the sale and purchase agreement dated 27 June 2013 entered into between Faith Crown and Ample State
“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 120)
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Excel Crown”	Excel Crown Investments Limited, a wholly-owned subsidiary of Ample State
“Excel Crown Group”	Excel Crown and its subsidiaries
“Facilities Agreement”	the conditional facilities agreement dated 4 August 2016 entered into between Long Profits, Cosmopolitan and Bizwise in relation to the provision of the Loan Facilities
“Faith Crown”	Faith Crown Holdings Limited, a joint venture owned by Regal BVI (a wholly-owned subsidiary of Regal) and Mass Surplus (a wholly-owned subsidiary of Cosmopolitan) as to 50% and 50% respectively
“Fortune City”	Fortune City International Investments Limited, a wholly-owned subsidiary of Cosmopolitan
“Grand Praise”	Grand Praise Investments Limited, a wholly-owned subsidiary of Fortune City
“Grand Praise Group”	Grand Praise and its subsidiaries

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Announcement”	the announcement dated 4 August 2016 jointly published by Century City, Paliburg, Regal and Cosmopolitan in relation to, among other things, the Loan Facilities
“Joyous Unity”	Joyous Unity Investments Limited, a wholly-owned subsidiary of Ample State
“Joyous Unity Group”	Joyous Unity and its subsidiaries
“Latest Practicable Date”	19 September 2016, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facilities”	the term loan and revolving loan facilities of an aggregate amount of HK\$1,850 million proposed to be granted by Long Profits to Bizwise under the Facilities Agreement
“Long Profits”	Long Profits Investments Limited, a wholly-owned subsidiary of Regal
“Mass Surplus”	Mass Surplus International Limited, a wholly-owned subsidiary of Cosmopolitan
“Novation”	novation of the outstanding consideration for the 2011 CD Transaction of approximately HK\$648.1 million payable by P&R Holdings to Faith Crown to, and assumption by, Ample State, pursuant to the novation and variation deed dated 27 June 2013 entered into between Faith Crown, P&R Holdings and Ample State
“Option”	the option granted by Cosmopolitan to the P&R Group to subscribe for the Optional CB with a principal amount of up to HK\$500 million on one or more occasions pursuant to the subscription agreement dated 30 April 2014 entered into between Cosmopolitan and P&R Holdings
“Optional CB”	the convertible bonds with a principal amount of up to HK\$500 million to be issued by the Cosmopolitan Group to the P&R Group upon exercise of the Option on one or more occasions

DEFINITIONS

“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“Paliburg Group”	Paliburg and its subsidiaries (excluding the Regal Group and the Cosmopolitan Group for the purpose of this circular)
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Profit Distribution”	the assignment by Faith Crown of the then total amount receivable from Ample State to Regal BVI and Mass Surplus in proportion to their 50-50 interests in Faith Crown by way of profit distribution
“P&R Group”	P&R Holdings and its subsidiaries
“P&R Holdings”	P&R Holdings Limited, a joint venture established and owned by Capital Merit Investments Limited (a wholly-owned subsidiary of Paliburg) and Regal Hotels Investments Limited (a wholly-owned subsidiary of Regal) as to 50% and 50% respectively
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal Board”	the board of Regal Directors
“Regal BVI”	Regal International (BVI) Holdings Limited, a wholly-owned subsidiary of Regal
“Regal Directors”	the directors of Regal
“Regal Group”	Regal and its subsidiaries
“Regal Independent Board Committee”	the independent board committee of the Regal Board, comprising Professor Japhet Sebastian LAW (being an independent non-executive Regal Director), established to advise the Regal Independent Shareholders on the Loan Facilities
“Regal Independent Shareholders”	Regal Shareholders other than Mr. LO Yuk Sui, Century City, Paliburg, Cosmopolitan and their respective associates

DEFINITIONS

“Regal REIT”	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the SFO, the issued units of which are listed on the Main Board of the Stock Exchange (Stock Code: 1881)
“Regal Shareholders”	holders of Regal Shares
“Regal Share(s)”	ordinary share(s) of par value HK\$0.10 each in the capital of Regal
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of Regal to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 11 October 2016 at 12:00 noon for the purpose of considering and, if thought fit, approving the Loan Facilities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Group”	Grand Praise and its subsidiaries
“Tianjin Project”	the mixed-use development project located in Hedong District in Tianjin, the PRC consisting of commercial, office and residential components
“Tianjin Transaction”	the (a) disposal of the entire equity interest in Grand Praise by Regal BVI to Fortune City; and (b) assignment of the shareholder loan owed to Regal BVI by the Tianjin Group to Fortune City, pursuant to the sale and purchase agreement dated 27 June 2013 entered into between Regal BVI and Fortune City

LETTER FROM THE REGAL BOARD



Executive Regal 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 Regal Director:

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

Independent non-executive Regal Directors:

Ms. Alice KAN Lai Kuen
Professor Japhet Sebastian LAW
Mr. NG Siu Chan
Mr. WONG Chi Keung

Registered Office:

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Head Office and

Principal Place of Business:
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

23 September 2016

To the Regal Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

Reference is made to the Joint Announcement and the announcements dated 25 August 2016 and 14 September 2016 jointly published by Century City, Paliburg, Regal and Cosmopolitan. On 4 August 2016, Long Profits (a wholly-owned subsidiary of Regal), Cosmopolitan and Bizwise (a wholly-owned subsidiary of Cosmopolitan) entered into the Facilities Agreement under which Long Profits has agreed to provide the Loan Facilities in an aggregate amount of HK\$1,850 million to Bizwise, subject to certain terms and conditions. On 25 August 2016, the parties agreed in writing to extend the long stop date for satisfaction of the conditions precedent to the Facilities Agreement from 13 September 2016 to 13 October 2016 (or such other date as may be agreed by the parties in writing).

The provision of the Loan Facilities to the Cosmopolitan Group constitutes a major and connected transaction for Regal subject to the reporting, announcement and Regal Independent Shareholders' approval requirements under the Listing Rules. The SGM will be convened for the purpose of considering and, if thought fit, approving the Loan Facilities.

LETTER FROM THE REGAL BOARD

The purpose of this circular is to provide you with, among others, (i) information in relation to the Loan Facilities; (ii) letter of advice from the Regal Independent Board Committee in relation to the Loan Facilities; (iii) letter of advice from Altus Capital to the Regal Independent Board Committee and the Regal Independent Shareholders in relation to the Loan Facilities; and (iv) a notice of the SGM to consider and, if thought fit, to approve the resolution in relation to the Loan Facilities.

THE LOAN FACILITIES

On 4 August 2016, Long Profits (a wholly-owned subsidiary of Regal), Cosmopolitan and Bizwise (a wholly-owned subsidiary of Cosmopolitan) entered into the Facilities Agreement in relation to the provision of the Loan Facilities, the major terms of which are set out below:

- Lender: Long Profits (a wholly-owned subsidiary of Regal)
- Borrower: Bizwise (a wholly-owned subsidiary of Cosmopolitan)
- Guarantor: Cosmopolitan
- Loan facilities amount: (i) Term loan of HK\$1,350 million; and
(ii) Revolving loan of HK\$500 million.
- Interest rate: 5.0% per annum, which is determined after arm's length negotiation between the parties and with reference to the cost of funding to the Regal Group.
- Interest is payable yearly in arrears.
- Repayment terms: (i) Any outstanding amounts of the term loan and the revolving loan shall be repaid on the date falling 5 years after their respective first drawdown date.
(ii) Early repayment of the term loan and the revolving loan is permissible with 7-day prior written notice.
- Conditions precedent: The provision of the Loan Facilities by Long Profits to Bizwise is conditional upon satisfaction of the following conditions on or before 13 October 2016 (as extended by the parties) or such other date as they may further agree in writing:
- (i) Regal and Cosmopolitan having obtained the approvals of their respective independent shareholders;
 - (ii) the extension of the maturity dates of the CB and Optional CB (details of which are set out in the Joint Announcement) becoming unconditional; and
 - (iii) all security documents required under the Facilities Agreement having been executed.

The Loan Facilities shall be available for drawdown on the Business Day after the satisfaction of the aforesaid conditions precedent.

LETTER FROM THE REGAL BOARD

More salient terms and conditions of the Loan Facilities (including the above) are set out in Appendix I to this circular.

In the 12 months prior to the date of the Facilities Agreement, the Regal Group had not provided any financial assistance to the Cosmopolitan Group.

REASON FOR THE PROVISION OF THE LOAN FACILITIES

The Regal Group is principally engaged in hotel ownership business undertaken through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings (a 50-50 joint venture of Paliburg and Regal) and the interest in the retained houses in Regalia Bay in Stanley, aircraft ownership and leasing business and other investments including financial assets investments.

The Cosmopolitan Group is principally engaged in property development and investment, investment in financial assets, logistics operations and other investments and is presently undertaking principally the Chengdu Project and the Tianjin Project. In May 2016, the Cosmopolitan Group completed the acquisition of an effective 60% interest in a group of companies operating logistics and related businesses in the PRC.

As at the Latest Practicable Date, the Regal Group held (i) a 50% interest in P&R Holdings which in turn held approximately 64.3% interest in Cosmopolitan; and (ii) approximately 9.1% interest in Cosmopolitan. A simplified group chart including the aforesaid parties and the above projects is set out in the section headed “Group chart” below. The P&R Group (including the aforesaid approximately 64.3% interest in Cosmopolitan) is accounted for by the Regal Group in its consolidated financial statements using equity accounting while the Regal Group’s direct interest of approximately 9.1% in Cosmopolitan is accounted for as financial assets at fair value through profit or loss.

Background of Chengdu Transaction and Tianjin Transaction

In June 2013, the Cosmopolitan Group entered into agreements with the respective vendors to acquire the Chengdu Project and the Tianjin Project. The relevant transactions are summarised below:

- (i) Chengdu Transaction A — acquisition by Ample State (a wholly-owned subsidiary of Cosmopolitan) of 70% equity interests in the Chengdu Project from P&R Holdings (a joint venture of Paliburg and Regal owned as to 50% each) at a final consideration of approximately HK\$618.3 million (after the Novation of approximately HK\$648.1 million). The outstanding consideration payable amounted to approximately HK\$312.5 million as at the Latest Practicable Date, and after including interest accrued up to 13 October 2016 (by which date settlement of the outstanding consideration is expected to take place) of approximately HK\$16.9 million, the total outstanding amount payable would amount to approximately HK\$329.4 million;

LETTER FROM THE REGAL BOARD

- (ii) Chengdu Transaction B — acquisition by Ample State of the remaining 30% equity interests in the Chengdu Project from Faith Crown (a joint venture of Regal and Cosmopolitan owned as to 50% each) at a final consideration of approximately HK\$1,190.9 million (after the Novation of approximately HK\$648.1 million). The outstanding consideration payable amounted to approximately HK\$1,147.2 million as at the Latest Practicable Date, and after including interest accrued up to 13 October 2016 (by which date settlement of the outstanding consideration is expected to take place) of approximately HK\$62.1 million, the total outstanding amount payable would amount to approximately HK\$1,209.3 million;
- (iii) Tianjin Transaction — acquisition by Fortune City (a wholly-owned subsidiary of Cosmopolitan) of 100% equity interests in the Tianjin Project from Regal BVI (a wholly-owned subsidiary of Regal) at a final consideration of approximately HK\$1,460.7 million. The outstanding consideration payable amounted to approximately HK\$1,181.8 million as at the Latest Practicable Date, and after including interest accrued up to 13 October 2016 (by which date settlement of the outstanding consideration is expected to take place) of approximately HK\$64.0 million, the total outstanding amount payable would amount to approximately HK\$1,245.8 million; and
- (iv) Novation — novation of the outstanding consideration of approximately HK\$648.1 million payable by P&R Holdings to Faith Crown under the 2011 CD Transaction and assumption by Ample State.

Details of the aforesaid transactions were set out in the announcement dated 27 June 2013 jointly published by Century City, Paliburg and Regal, in Cosmopolitan's announcement dated 27 June 2013, in the respective circulars of Century City and Paliburg dated 29 August 2013 and in Cosmopolitan's circular dated 28 August 2013. Completion of the Chengdu Transaction, the Tianjin Transaction and the Novation took place on 13 September 2013. Under the terms of the Chengdu Transaction, the Tianjin Transaction and the Novation, the respective considerations were payable on the date falling three years after completion, i.e. 13 September 2016.

Profit distribution by Faith Crown

On 4 August 2016, the board of directors of Faith Crown resolved that subject to and on the date of satisfaction of all the conditions precedent to the Facilities Agreement, Faith Crown will effect the Profit Distribution whereby it will assign the then total amount receivable from Ample State to Regal BVI (a wholly-owned subsidiary of Regal) and Mass Surplus (a wholly-owned subsidiary of Cosmopolitan) in proportion to their respective 50-50 interests in Faith Crown by way of profit distribution. The total amount receivable from Ample State as at 13 October 2016 would amount to approximately HK\$1,209.3 million (being the aggregate of the outstanding consideration arising from the Chengdu Transaction B and the Novation plus interest accruing up to such date). Based on the aforesaid amount, after the Profit Distribution, the amount owed by the Cosmopolitan Group to the Regal Group shall increase by approximately HK\$604.7 million to approximately HK\$1,850.5 million.

LETTER FROM THE REGAL BOARD

The following table sets out the amounts payable by the Cosmopolitan Group to P&R Holdings, Faith Crown and Regal BVI arising from the Chengdu Transaction (after the Novation) and the Tianjin Transaction before and after the Profit Distribution as at 13 October 2016 (by which date settlement of the outstanding considerations is expected to take place, subject to fulfilment of the conditions precedent to the Loan Facilities).

Transaction	Party to which the Cosmopolitan Group owes	Security pledged in favour of the relevant party (before the Profit Distribution) as at the Latest Practicable Date	Amount payable by the Cosmopolitan Group				After the Profit Distribution HK\$' million ("P&R Payable")	After settlement (Note 3) HK\$' million
			Outstanding consideration payable (Note 1) HK\$' million	Interest (Note 2) HK\$' million	Total HK\$' million	Before the Profit Distribution HK\$' million		
Chengdu Transaction A (after the Novation)	P&R Holdings	a) 35% of the issued shares of each of Joyous Unity and Excel Crown; and b) 35% of the shareholder loans owed by the Chengdu Group to Ample State.	312.5	16.9	329.4	329.4	—	
Chengdu Transaction B (after the Novation)	Faith Crown	a) 65% of the issued shares of each of Joyous Unity and Excel Crown; and b) 65% of the shareholder loans owed by the Chengdu Group to Ample State.	1,147.2	62.1	1,209.3	—	—	
		[^] Including the security pledged under the Novation.						
Tianjin Transaction	Regal BVI	a) 100% of the issued shares of Grand Praise; and b) 100% of the shareholder loan owed by the Tianjin Group to Fortune City.	1,181.8	64.0	1,245.8	1,850.5	—	
							("Regal Payable")	

Notes:

1. Being the outstanding consideration in respect of the Chengdu Transaction, the Tianjin Transaction and/or the Novation (as the case may be) as at the Latest Practicable Date.
2. Being the related interest calculated at 5% per annum on the outstanding consideration as at the Latest Practicable Date and accruing up to 13 October 2016 (by which date settlement of the outstanding considerations is expected to take place, subject to fulfilment of the conditions precedent to the Loan Facilities).
3. Subject to fulfilment of the conditions precedent to the Loan Facilities.

LETTER FROM THE REGAL BOARD

Information on the Chengdu Project and the Tianjin Project

The Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the Chengdu Project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with 339 residential units with car parking spaces and ancillary commercial accommodation. While the business remodeling work in response to the current local market environment continue, the hotel is scheduled to open in phases from 2017. The second stage of the development comprises six residential towers with 957 units, the construction works for which are in progress. The completion of the residential towers in both the first and second stages of the development is expected to be in 2017.

The presale of three residential towers consisting of a total of 362 units (comprising two residential towers in the first stage and one residential tower in the second stage) commenced in April 2016, and there had been contracted sales of approximately RMB175 million as at the Latest Practicable Date. Presale of the remaining six residential towers (comprising 934 units) in both stages is scheduled to be launched in stages commencing from the fourth quarter of 2016. The other components within the development, comprising commercial, office, serviced apartments and residential units, will continue to be developed in stages.

The Regal Group and the Cosmopolitan Group may consider in due course the possible acquisition by the Regal Group of the hotel component comprised in the Chengdu Project, as it is the intention of the Regal Group to take advantage of this investment opportunity to expand its hotel network in the PRC. As at the Latest Practicable Date, no definitive terms had been determined and the parties will comply with the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules when the parties enter into definitive agreements in respect of such possible acquisition.

The Tianjin Project

Located in the Hedong District in Tianjin, the Tianjin Project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The superstructure works of the four residential towers are progressing and the superstructure works of the commercial complex and the two office towers have already commenced. The presale of three residential towers, comprising 376 units, commenced in October 2015 while the presale of car parking spaces commenced at the end of August 2016. As at the Latest Practicable Date, approximately 99 per cent of the available units had been sold, realising contracted sales of approximately RMB980 million while the contracted sales of car parking spaces amounted to approximately RMB10 million. The remaining residential tower, comprising 136 units, and the commercial complex, comprising mainly shops of 19,000 square metres, are expected to be marketed for presale before the end of 2016. The entire development is anticipated to be completed in stages from 2017.

LETTER FROM THE REGAL BOARD

Repayment of outstanding considerations

As set out in the Joint Announcement, on 4 August 2016, P&R Holdings has irrevocably undertaken in favour of Cosmopolitan that subject to the satisfaction of all the conditions precedent to the Facilities Agreement, P&R Holdings shall:

- (i) exercise the Option to subscribe for the Optional CB with a principal amount of not less than HK\$330 million on the date on which the first advance of the Loan Facilities is made; and
- (ii) exercise the Option to subscribe for the remaining Optional CB with a principal amount of up to HK\$170 million by the end of 2016.

The proceeds from the subscription of the Optional CB with a principal amount of not less than HK\$330 million will be utilised by the Cosmopolitan Group to settle the P&R Payable in full and the security related to the P&R Payable will be released.

Subject to satisfaction of all the conditions precedent to the Facilities Agreement, the Loan Facilities will be utilised to settle the Regal Payable (after the Profit Distribution) and the security related to the Regal Payable and the FC Payable (including those under the Novation) will be released. Faith Crown is owned as to 50% by each of Mass Surplus (a wholly-owned subsidiary of Cosmopolitan) and Regal BVI (a wholly-owned subsidiary of Regal). The Profit Distribution by Faith Crown of its then receivable from Ample State (another wholly-owned subsidiary of Cosmopolitan) to Mass Surplus and Regal BVI will in effect result in Ample State directly owing to Regal BVI in respect of 50% of the aforesaid receivable. In addition to another amount owed by Fortune City to Regal BVI, as at 13 October 2016 the Cosmopolitan Group would owe in total HK\$1,850.5 million to Regal BVI for most of which the Loan Facilities of HK\$1,850.0 million in total will be sufficient to settle.

It is the intention of the parties that the drawdown of the Loan Facilities, the subscription of not less than HK\$330 million Optional CB, the Profit Distribution, the settlement of the P&R Payable and the Regal Payable, the release of the security related to the P&R Payable, the Regal Payable and the FC Payable (including those under the Novation), and the creation of the security related to the Loan Facilities shall take place simultaneously.

Provision of the Loan Facilities

Based on Cosmopolitan's unaudited consolidated statement of financial position as at 30 June 2016, the Cosmopolitan Group had cash and cash equivalents (excluding restricted cash) of approximately HK\$483.7 million. The outstanding considerations payable under the Chengdu Transaction, the Tianjin Transaction and the Novation amounting to approximately HK\$2,641.5 million as at the Latest Practicable Date was due on 13 September 2016. Its internal cash resources would not be sufficient to settle the total outstanding considerations payable. The Regal Group, on the other hand, had net assets of approximately HK\$12,987.9 million and cash and bank balances of approximately HK\$701.8 million as at 30 June 2016 and based on such financial position, the Regal Directors consider that the Regal Group is able to finance its operations and business plans using its internally generated capital as well as its external sources of financing irrespective of repayment of

LETTER FROM THE REGAL BOARD

the aforesaid outstanding considerations by the Cosmopolitan Group. Having considered all of the amount of the Loan Facilities will be utilised by the Cosmopolitan Group to repay the amount due to Regal BVI not resulting in any net cash outflow for the Regal Group, and taking into account the Regal Group's shareholding interest in Cosmopolitan as well as the possibility of acquiring the hotel component comprised in the Chengdu Project as part of the Regal Group's plan to expand its hotel network in the PRC, the Regal Group has agreed to provide the Loan Facilities to the Cosmopolitan Group. As mentioned above, substantial sales proceeds have been secured from the contracted presales of the residential units in the Chengdu Project and the Tianjin Project. Further substantial sales proceeds are expected when the remaining residential units and other commercial and hotel components comprised in the two projects are sold. The Loan Facilities will allow the Cosmopolitan Group to settle part of the outstanding considerations payable while the due date for repayment of the Loan Facilities would fall in five years to align with the timing of the latest presale progress and completion/sale schedule of the Chengdu Project and the Tianjin Project in the next five years. Part of the Loan Facilities in the amount of HK\$500 million will be made available to Bizwise on a revolving basis with a view to providing flexibility to the Cosmopolitan Group in the management of its surplus cash funds in the interim period, before the Loan Facilities are finally repaid.

At present, the amount payable by the Cosmopolitan Group under the Chengdu Transaction (after the Novation) and the Tianjin Transaction is secured against (i) 35% of the issued shares of each of Joyous Unity and Excel Crown which has been pledged to P&R Holdings (of which the Regal Group holds 50% interest); (ii) 65% of the issued shares of each of Joyous Unity and Excel Crown which has been pledged to Faith Crown (of which the Regal Group holds 50% interest); and (iii) the entire issued shares of Grand Praise which has been pledged to Regal BVI, a wholly-owned subsidiary of Regal. The Loan Facilities will be secured over, among others, the entire issued shares of Excel Crown, Joyous Unity and Grand Praise (being the intermediate holding companies of the Chengdu Project and the Tianjin Project), enhancing the security pledged in favour of the Regal Group. In addition, the Regal Group will earn interest on the Loan Facilities at an interest rate above its cost of funding.

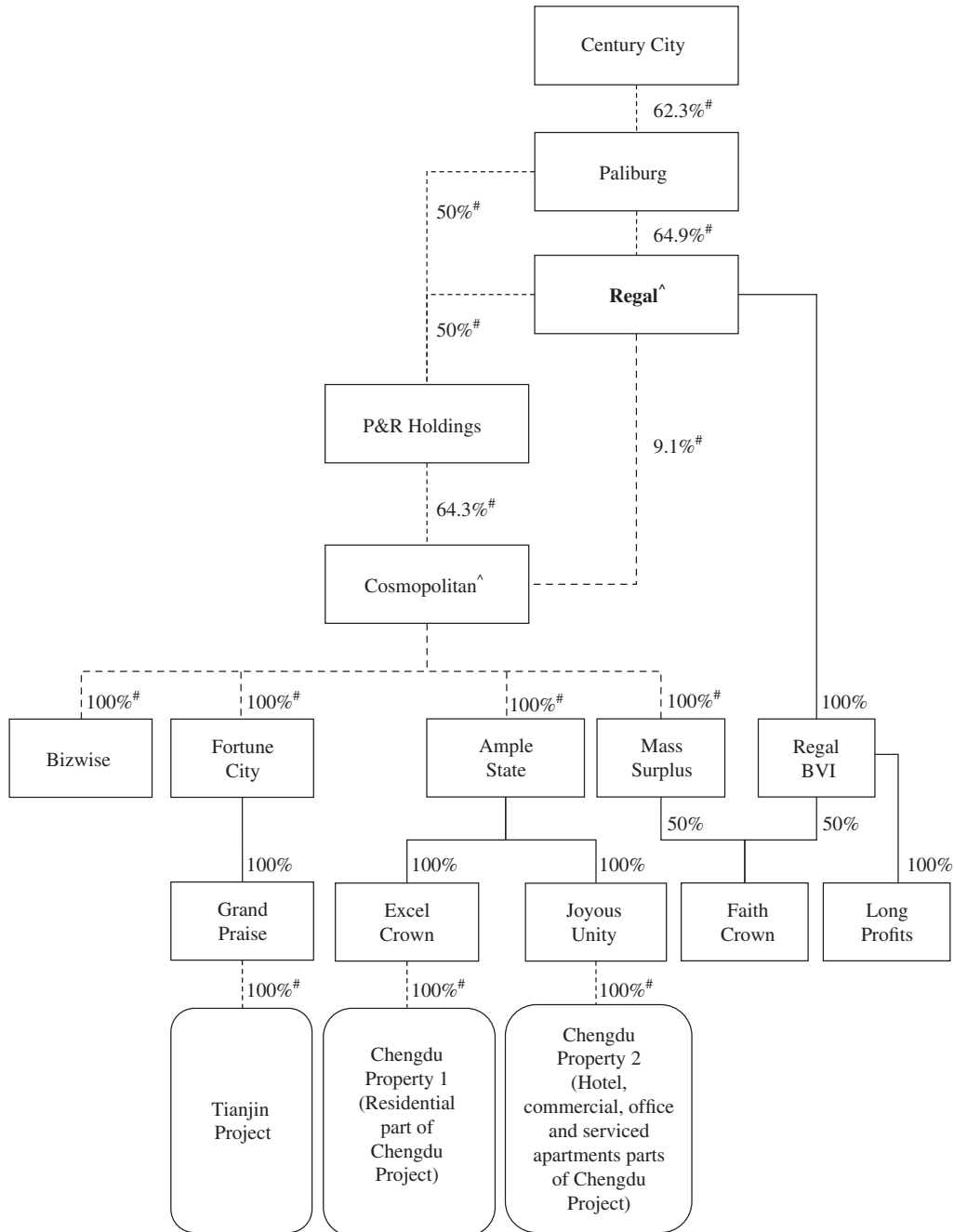
Given that the provision of the Loan Facilities to refinance the Regal Payable will not have an adverse impact on the financial position of the Regal Group and taking into account the enhanced security as well as the interest rate of the Loan Facilities being higher than the Regal Group's cost of funding, the Regal Directors (including the member of the Regal Independent Board Committee who has taken the advice from Altus Capital) consider that the terms of the Loan Facilities are fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole.

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 Regal Directors) are executive directors of Cosmopolitan, Paliburg and/or Century City, Mr. NG Siu Chan and Mr. WONG Chi Keung (both being independent non-executive Regal Directors) are independent non-executive directors of Paliburg and Century City, and Ms. Alice KAN Lai Kuen (being an independent non-executive Regal Director) is an independent non-executive director of Cosmopolitan. All of these Regal Directors have abstained from voting on the relevant board resolution relating to the Loan Facilities.

LETTER FROM THE REGAL BOARD

GROUP CHART

A simplified group chart of the relevant parties and projects as at the Latest Practicable Date is set out below.



Notes:

Held through wholly-owned subsidiaries.

^ As at the Latest Practicable Date, Cosmopolitan (through a wholly-owned subsidiary) held approximately 2.5% of total ordinary shares of Regal in issue.

LETTER FROM THE REGAL BOARD

FINANCIAL EFFECTS OF THE PROVISION OF THE LOAN FACILITIES

The aggregate principal amount of the Loan Facilities amounts to HK\$1,850 million. The Cosmopolitan Group will utilise the Loan Facilities to repay the Regal Payable due to the Regal Group which after the Profit Distribution would amount to approximately HK\$1,850.5 million as at 13 October 2016 (by which date settlement of the outstanding considerations for the Chengdu Transaction, the Tianjin Transaction and the Novation is expected to be made). Taking into account that the Loan Facilities to be provided by the Regal Group will be utilised for settlement of the Regal Payable to the Regal Group, the Loan Facilities would not have any material impact on the assets of the Regal Group as the amount due from the Cosmopolitan Group of approximately HK\$1,850.5 million would be settled and replaced by the Loan Facilities of HK\$1,850 million, which is also due from the Cosmopolitan Group. The provision of the Loan Facilities would not have any impact on the liabilities of the Regal Group as the Loan Facilities is not financed through any additional borrowings. The Regal Group will accrue interest income on the Loan Facilities at an annual rate of 5%.

LISTING RULES IMPLICATIONS

Paliburg is a controlling shareholder of Regal and Cosmopolitan. Bizwise (a wholly-owned subsidiary of Cosmopolitan) is an associate of Paliburg and therefore is a connected person of Regal. Based on the applicable percentage ratios, the provision of the Loan Facilities to the Cosmopolitan Group constitutes a major and connected transaction for Regal subject to Regal Independent Shareholders' approval under the Listing Rules. As at the Latest Practicable Date, (i) Mr. LO Yuk Sui and his spouse personally held a total of 284,900 Regal Shares; (ii) a wholly owned subsidiary of Century City held 421,400 Regal Shares; (iii) certain wholly owned subsidiaries of Paliburg held 599,025,861 Regal Shares; (iv) a wholly owned subsidiary of Cosmopolitan held 23,292,000 Regal Shares; and (v) Miss LO Po Man (Mr. LO Yuk Sui's daughter), personally and through a trust, held 569,169 Regal Shares. In total, Mr. LO Yuk Sui, Century City, Paliburg, Cosmopolitan and their respective associates, in aggregate holding, and entitled to exercise control over the voting rights in respect of, 623,593,330 Regal Shares (representing approximately 67.5% of all the Regal Shares in issue) as at the Latest Practicable Date, will abstain from voting at the SGM. Apart from Mr. LO Yuk Sui, Century City, Paliburg, Cosmopolitan and their respective associates, as at the Latest Practicable Date, no other Regal Shareholders had a material interest in the Loan Facilities, other than being a Regal Shareholder.

Regal has established the Regal Independent Board Committee, comprising Professor Japhet Sebastian LAW (being an independent non-executive Regal Director), to advise the Regal Independent Shareholders in respect of the Loan Facilities. As Mr. NG Siu Chan and Mr. WONG Chi Keung, both being independent non-executive Regal Directors, are also independent non-executive directors of Paliburg which is the holding company of Cosmopolitan, and Ms. Alice KAN Lai Kuen, also an independent non-executive Regal Director, is an independent non-executive director of Cosmopolitan, they are not members of the Regal Independent Board Committee.

LETTER FROM THE REGAL BOARD

SPECIAL GENERAL MEETING

A notice convening the SGM at which an ordinary resolution will be proposed to the Regal Independent Shareholders to consider and, if thought fit, approve the Loan Facilities, is contained on pages 51 to 52 of this circular.

In accordance with Rule 13.39(4) of the Listing Rules and the bye-laws of Regal, the voting of Regal Shareholders at the SGM will be taken by poll. The results of the poll will be published on the websites of Regal and the Stock Exchange.

RECOMMENDATION

The Regal Directors (including the independent non-executive Regal Director who is the member of the Regal Independent Board Committee whose view is set out in the section headed “Letter from the Regal Independent Board Committee” in this circular) consider that the terms of the Loan Facilities are on normal commercial terms, fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole and recommend the Regal Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM to approve the Loan Facilities.

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

LETTER FROM THE REGAL INDEPENDENT BOARD COMMITTEE



23 September 2016

To the Regal Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE**

I refer to the circular of Regal dated 23 September 2016 (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.

I have been appointed by the Regal Board as the sole member of the Regal Independent Board Committee to advise you on the terms of the Loan Facilities. Altus Capital has been appointed as the independent financial adviser to advise you and me 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 18 to 37 of the Circular. Your attention is also drawn to the letter from the Regal Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Loan Facilities and taking into account the independent advice of Altus Capital set out in its letter on pages 18 to 37 of the Circular and the relevant information contained in the letter from the Regal Board, I consider that the Loan Facilities are on normal commercial terms, fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole.

Accordingly, I, representing the Regal Independent Board Committee, recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Facilities.

Yours faithfully,
Regal Independent Board Committee
Japhet Sebastian LAW
Independent non-executive Regal Director

LETTER FROM ALTUS CAPITAL

The following is the text of a letter of advice from Altus Capital Limited to the Regal Independent Board Committee and the Regal Independent Shareholders in respect of the provision of the Loan Facilities which has been prepared for the purpose of incorporation in this circular.

ALTUS.

21 Wing Wo Street
Central, Hong Kong

23 September 2016

To the Regal Independent Board Committee and the Regal Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Regal Independent Board Committee and the Regal Independent Shareholders in respect of the provision of the Loan Facilities as contemplated under the Facilities Agreement. Details of the Facilities Agreement are set out in the “Letter from the Regal Board” contained in the circular of Regal dated 23 September 2016 (the “**Circular**”), of which this letter (the “**Letter**”) forms part. Capitalised terms used in the Letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 4 August 2016, Long Profits (an indirectly wholly-owned subsidiary of Regal) as the lender, Bizwise (a wholly-owned subsidiary of Cosmopolitan) as the borrower, and Cosmopolitan as the guarantor entered into the Facilities Agreement under which Long Profits has proposed to provide the Loan Facilities in an aggregate of HK\$1,850.0 million to Bizwise, subject to certain terms and conditions. On 25 August 2016, the parties agreed in writing to extend the long stop date for satisfaction of the conditions precedent to the Facilities Agreement from 13 September 2016 to 13 October 2016 (or such other date as may be agreed by the parties in writing). It is noted that the purpose of the first advance of the Loan Facilities (as described in the Appendix I to the Circular) may only be used to settle the amount payable to the Regal Group, which will be due by the Cosmopolitan Group through Cosmopolitan’s subsidiaries Ample State and Fortune City (the “**Regal Payable**”).

LETTER FROM ALTUS CAPITAL

As at the Latest Practicable Date, Paliburg is a controlling shareholder of Regal and Cosmopolitan. Bizwise (a wholly-owned subsidiary of Cosmopolitan) is an associate of Paliburg and therefore is a connected person of Regal. Based on the applicable percentage ratios, the provision of the Loan Facilities to the Cosmopolitan Group constitutes a major and connected transaction for Regal subject to, among others, Regal Independent Shareholders' approval under the Listing Rules.

Mr. LO Yuk Sui, Century City, Paliburg, Cosmopolitan and their respective associates, in aggregate holding, and entitled to exercise control over the voting rights in respect of, 623,593,330 Regal Shares (representing approximately 67.5% of all the issued Regal Shares) as at the Latest Practicable Date, will abstain from voting at the SGM. Apart from Mr. LO Yuk Sui, Century City, Paliburg, Cosmopolitan and their respective associates, as at the Latest Practicable Date, no other Regal Shareholders had a material interest in the Loan Facilities, other than being a Regal Shareholder.

THE REGAL INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Regal Independent Board Committee, comprising Professor Japhet Sebastian LAW (being an independent non-executive Regal Director), has been established to advise the Regal Independent Shareholders as to whether the provision of the Loan Facilities is on normal commercial terms, fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole, and on how to vote on the resolution to be proposed at the SGM.

As Mr. NG Siu Chan and Mr. WONG Chi Keung, both being independent non-executive Regal Directors, are also independent non-executive directors of Paliburg which is an intermediate holding company of Cosmopolitan, and Ms. Alice KAN Lai Kuen, also an independent non-executive Regal Director, is an independent non-executive director of Cosmopolitan, they are not members of the Regal Independent Board Committee.

As the independent financial adviser to the Regal Independent Board Committee and the Regal Independent Shareholders, our role is to give an independent opinion to the Regal Independent Board Committee and the Regal Independent Shareholders with regards to (i) whether the Loan Facilities as contemplated under the Facilities Agreement was entered into in the ordinary and usual course of business of Regal and is in the interests of Regal and the Regal Shareholders as a whole; (ii) whether the terms of the Loan Facilities as contemplated under the Facilities Agreement are on normal commercial terms and fair and reasonable so far as the Regal Independent Shareholders are concerned; and (iii) how the Regal Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the SGM.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us by Regal, the Regal Directors and the management of Regal (the "**Management**"). We have assumed that all statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us were true, accurate, and complete at the time they were made and continued to be so as at the date of the Circular.

LETTER FROM ALTUS CAPITAL

We have no reason to believe that any statements, information, opinions, or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions, and representations for matters relating to the Regal Group contained or referred to in the Circular and/or provided to us by Regal, the Regal Directors, and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions, and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Regal Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Regal Group and the Cosmopolitan Group

1.1 Information on the Regal Group

The Regal Group is principally engaged in hotel ownership business through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment including those undertaken through the joint venture in P&R Holdings and the interest in the retained houses in Regalia Bay in Stanley, aircraft ownership and leasing business, and other investments including financial assets investments.

The Regal Group's property development business is primarily undertaken through P&R Holdings, which is a 50-50 joint venture with Paliburg, the immediate listed holding company of Regal. Cosmopolitan is a listed subsidiary of P&R Holdings.

Set out below a summary of the financial results of the Regal Group for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 as extracted from the Regal's annual report for the year ended 31 December 2015 (the "**Regal 2015 Annual Report**") and Regal's announcement of 2016 interim results (the "**Regal 2016 Interim Results**") respectively.

LETTER FROM ALTUS CAPITAL

	For the year ended		For the six months	
	31 December		ended 30 June	
	2014	2015	2015	2016
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	2,298.6	2,471.8	1,251.6	1,374.7
Gross profit	1,098.6	1,122.1	562.3	605.3
Profit attributable to equity holders	410.3	119.0	123.8	130.3
Revenue of major segments:				
- Hotel operation and management and hotel ownership	2,200.9	2,171.3	1,039.9	995.9
- Property development and investment	14.2	133.6	126.9	208.7
- Aircraft ownership and leasing	33.8	91.9	46.6	50.7
	As at 31 December		As at 30 June	
	2014	2015	2016	
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	
Total assets	25,849.9	25,342.6	25,523.5	
Total liabilities	(12,652.9)	(12,321.0)	(12,535.6)	
Net assets	13,197.0	13,021.6	12,987.9	
Current assets	3,772.4	4,724.5	5,064.3	
Current liabilities	(994.0)	(740.3)	(988.4)	
Net current assets	2,778.4	3,984.2	4,075.9	
Property, plant and equipment	16,052.8	15,875.6	15,660.8	
Restricted cash	47.2	46.4	55.1	
Pledged time deposits and bank balances	327.4	346.3	235.9	
Time deposits	435.4	400.2	933.1	
Cash and bank balances	1,008.0	780.3	701.8	
Debtors, deposits and prepayments	1,656.8	1,638.8	1,918.8	

Source: Regal 2015 Annual Report and Regal 2016 Interim Results

LETTER FROM ALTUS CAPITAL

For the year ended 31 December 2015

For the year ended 31 December 2015, the Regal Group's revenue amounted to approximately HK\$2,471.8 million, representing an increase of approximately 7.5% from approximately HK\$2,298.6 million recorded for the previous year. The overall growth in revenue was attributable to the approximately 840.9% growth in the property development and investment segment as well as the approximately 171.9% growth in the aircraft ownership and leasing segment. Such growth was offset by the slight decrease of approximately 1.3% in the revenue derived from the hotel operation and management and hotel ownership segment due to the changed market conditions.

During the year ended 31 December 2015, profit attributable to equity holders of Regal dropped by approximately 71.0% to approximately HK\$119.0 million from approximately HK\$410.3 million recorded for the previous year. Apart from the slight decrease in hotel revenue as mentioned above, the decrease in profit was primarily attributable to the Regal Group recording a number of one-off items in the previous year, namely (i) share of profit from an associate in a sum of approximately HK\$96.7 million arising from the recovery of loans receivable and related interest income; (ii) fair value gain upon reclassification of a property held for sale to an investment property of approximately HK\$58.0 million; and (iii) the gain on bargain purchase of approximately HK\$35.0 million stemming from an acquisition in 2014.

As at 31 December 2015, the Regal Group's net assets amounted to approximately HK\$13,021.6 million, representing a decrease of approximately 1.3% compared to net assets of approximately HK\$13,197.0 million as at 31 December 2014. As at 31 December 2015, cash and bank balances of the Regal Group (without taking into account the restricted cash, pledged time deposits and bank balances and time deposits) amounted to approximately HK\$780.3 million (31 December 2014: HK\$1,008.0 million). The decrease in the amount was due to net cash flows used in financing activities amounting to approximately HK\$999.9 million and net cash flows used in investing activities amounting to approximately HK\$55.6 million, which was offset by net cash flows from operating activities of approximately HK\$808.5 million.

As at 31 December 2015, debtors, deposits and prepayments amounted to approximately HK\$1,638.8 million, out of which, the amount due from the Cosmopolitan Group was approximately HK\$1,372.7 million, representing approximately 83.8% of the balance of debtors, deposits and prepayments. Such amount represents the consideration receivable by the Regal Group in respect of the Tianjin Transaction which was scheduled to be settled on or before 13 September 2016. The amount is interest bearing at 5.0% per annum. Details of the evolution of the outstanding consideration due by the Cosmopolitan Group to the Regal Group under the Tianjin Transaction are stated under the paragraph headed "For the six months ended 30 June 2016" in this section of the Letter.

As at 31 December 2015, the Regal Group's net assets, as well as cash and bank balances amounted to approximately HK\$13,021.6 million and HK\$780.3 million respectively, and it recorded a current ratio of approximately 6.4 times - exhibiting ample resources to cover its liabilities. It is also noted that the Regal Group generated positive cash flow from its operations (at approximately HK\$813.5 million and HK\$884.7 million for the two years ended 31 December 2014 and 2015 respectively), demonstrating its ability to generate sufficient funds internally to fund its operations.

LETTER FROM ALTUS CAPITAL

For the six months ended 30 June 2016

For the six months ended 30 June 2016, the Regal Group's revenue amounted to approximately HK\$1,374.7 million, representing an increase of approximately 9.8% from approximately HK\$1,251.6 million recorded for the corresponding period last year. The overall growth in revenue was attributable to the approximately 64.5% growth in the property development and investment segment as well as the approximately 8.8% growth in the aircraft ownership and leasing segment. Such growth was offset by the decrease of approximately 4.2% in the revenue derived from the hotel operation and management and hotel ownership segment.

For the six months ended 30 June 2016, the Regal Group recorded profit attributable to shareholders of approximately HK\$130.3 million, representing an increase of approximately 5.3% from approximately HK\$123.8 million for the corresponding period last year.

As at 30 June 2016, the Regal Group's net assets amounted to approximately HK\$12,987.9 million, representing a slight decrease of approximately 0.3% compared to net assets of approximately HK\$13,021.6 million as at 31 December 2015. As at 30 June 2016, cash and bank balances of the Regal Group (without taking into account the restricted cash, pledged time deposits and bank balances and time deposits) amounted to approximately HK\$701.8 million, representing a decrease of approximately 10.1% compared to the balance of approximately HK\$780.3 million as at 31 December 2015. The Regal Group recorded a current ratio of approximately 5.1 times as at 30 June 2016.

As at 30 June 2016, debtors, deposits and prepayments amounted to approximately HK\$1,918.8 million, out of which, the amount due from the Cosmopolitan Group was approximately HK\$1,372.7 million, representing approximately 71.5% of the balance of debtors, deposits and prepayments. Such amount represents the consideration receivable by the Regal Group in respect of the Tianjin Transaction which was scheduled to be settled on or before 13 September 2016. The amount is interest bearing at 5.0% per annum. At completion of the Tianjin Transaction, the final consideration payable by the Cosmopolitan Group to the Regal Group was approximately HK\$1,460.7 million. In September 2013, the Cosmopolitan Group settled HK\$88.0 million of the consideration to the Regal Group, thereafter and as at 30 June 2016, the outstanding consideration due by the Cosmopolitan Group to the Regal Group under the Tianjin Transaction was approximately HK\$1,372.7 million. In July 2016, the Cosmopolitan Group further settled a sum of approximately HK\$190.9 million of the consideration to the Regal Group, and the remaining outstanding consideration under the Tianjin Transaction became approximately HK\$1,181.8 million (i.e. the balance as shown in the table under the section headed "Reason for the provision of the Loan Facilities" in the "Letter from the Regal Board" of the Circular).

Outlook

In view of the changing mix and spending pattern of visitors, the Hong Kong Government is staging various promotional initiatives to attract more high-spending overnight visitors to Hong Kong and to rebuild Hong Kong's reputation as a hospitality city internationally. In the long term, the Hong Kong Government has committed to upgrade Hong Kong's tourism infrastructure.

LETTER FROM ALTUS CAPITAL

As at 30 June 2016, the Regal Group held 74.6% of the outstanding units of Regal REIT and the Regal Group is undertaking its hotel ownership business through Regal REIT. The directors of the manager of Regal REIT believe that the future prospects for the hotel businesses in Hong Kong will remain favourable although the short term business environment will continue to be challenging. The manager of Regal REIT will continue to closely monitor any appropriate investment opportunities that may become available, with a view to further expanding and broadening the asset and income base of Regal REIT. Nevertheless, having regard to the volatile economic environment globally, any such acquisitions will be pursued with particular prudence.

Based on the Half-yearly Economic Report 2016 released by the Hong Kong Government, the latest visitor arrivals trend indicated that the drag from the slowdown of inbound tourism has been reducing. The Regal Group expects that the business operations of the Regal Group's hotels in the second half of 2016, which includes the traditional high season of the year, should perform better than in the first six months. Apart from Hong Kong, the Regal Group also has the intention to expand its hotel network in the PRC and it has been investing additional resources in recent years.

In July 2016, the Regal Group launched a new series of unsecured guaranteed US\$ denominated 5-year term notes under the medium term note programme of the Regal Group, which was met with favourable response from institutional and private investors. The 5-year term notes bear effective interest at 3.95% per annum, and the total nominal amount of the notes issued was upsized from US\$300 million to US\$350 million.

With its solid asset base and strong liquid resources, the Regal Group will continue to expand its investments in different business sectors, with a view to sustaining further growth.

1.2 Information on the Cosmopolitan Group

The Cosmopolitan Group is principally engaged in property development and investment, investment in financial assets, logistics operations and other investments and is presently undertaking principally the Chengdu Project and the Tianjin Project. In May 2016, the Cosmopolitan Group completed the acquisition of an effective 60.0% interest in a group of companies operating logistics and related business in the PRC. The Cosmopolitan Group holds the entire equity interests in the Chengdu Project and the Tianjin Project following the completion of Chengdu Transaction and Tianjin Transaction in 2013.

Set out below is a summary of the operating results of the Cosmopolitan Group for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 as extracted from Cosmopolitan's annual report for the year ended 31 December 2015 (the "**Cosmopolitan 2015 Annual Report**") and Cosmopolitan's announcement of 2016 interim results (the "**Cosmopolitan 2016 Interim Results**") respectively.

LETTER FROM ALTUS CAPITAL

	For the year ended		For the six months	
	31 December		ended 30 June	
	2014	2015	2015	2016
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	(7.9)	9.2	7.2	9.9
Gross profit/(loss)	(7.9)	9.2	7.2	7.6
Profit/(loss) attributable to equity holders	(127.4)	(344.9)	(164.0)	40.3
	As at 31 December		As at 30 June	
	2014	2015	2016	
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	
Total assets	5,400.7	5,510.0	6,268.6	
Total liabilities	(3,889.9)	(4,469.6)	(5,124.8)	
Net assets	1,510.8	1,040.4	1,143.8	
Properties under development	3,684.8	3,962.3	4,238.2	
Restricted cash	—	131.3	160.4	
Pledged time deposits	6.3	—	—	
Time deposits	57.0	12.8	12.8	
Cash and bank balances	567.2	253.2	470.9	

Source: Cosmopolitan 2015 Annual Report and Cosmopolitan 2016 Interim Results

For the year ended 31 December 2015

For the year ended 31 December 2015, the Cosmopolitan Group's revenue amounted to approximately HK\$9.2 million, whilst in the prior year, the Cosmopolitan Group recorded net loss from sale/settlement of financial assets at fair value through profit or loss of approximately HK\$14.6 million, bringing overall revenue to negative at approximately HK\$7.9 million in the previous year. The overall change in revenue was attributable to the gain from sale/settlement of financial assets at fair value through profit or loss and dividend income from listed investments, offset by the decrease in interest income from corporate bonds. In both 2014 and 2015, all revenue was derived from trading of financial assets at fair value through profit or loss and other financial assets investments, while no revenue from property development and investment was recognised.

During the year ended 31 December 2015, the Cosmopolitan Group recorded a loss attributable to shareholders of approximately HK\$344.9 million, as compared to a loss of approximately HK\$127.4 million for the previous year. The increase in loss was mainly due to (i) a fair value loss of approximately HK\$146.4 million on derivative financial instruments in relation to the Option to

LETTER FROM ALTUS CAPITAL

subscribe for the Optional CB granted in conjunction with the issue of the CB in August 2014; and (ii) an impairment loss of approximately HK\$57.0 million on a hotel property under development for the Chengdu Project. These losses were non-cash in nature and, in particular, the recognition of the fair value loss on derivative financial instruments was to conform to applicable accounting standards. Further, although the presale programmes for the Tianjin Project and the Chengdu Project commenced in 2015 and 2016 respectively, in accordance with accounting standards, revenue from presale will only be recognised after completion of the construction works and handover of the properties to the purchasers.

As at 31 December 2015, the Cosmopolitan Group's properties under development, which were the most material asset item, mainly comprised the Chengdu Project as well as the Tianjin Project and amounted to approximately HK\$3,962.3 million, representing an increase of approximately 7.5% from approximately HK\$3,684.8 million as at 31 December 2014. The increase was mainly due to the ongoing construction works in these projects during the year.

The Cosmopolitan Group's net assets decreased by approximately 31.1% to approximately HK\$1,040.4 million (31 December 2014: HK\$1,510.8 million), which was mainly due to (i) the loss of approximately HK\$344.9 million recorded during 2015; and (ii) exchange differences on translating foreign operations amounting to approximately HK\$125.4 million.

As at 31 December 2015, cash and bank balances (excluding restricted cash, pledged time deposits and time deposits) of the Cosmopolitan Group amounted to approximately HK\$253.2 million (31 December 2014: HK\$567.2 million). The decrease in cash and bank balances was mainly due to (i) net cash flows used in operating activities of approximately HK\$181.5 million; (ii) net cash flows from investing activities of approximately HK\$14.2 million; and (iii) net cash flows used in financing activities of approximately HK\$160.7 million.

As at 31 December 2015, other payables of the Cosmopolitan Group amounted to approximately HK\$2,881.9 million (31 December 2014: HK\$2,881.9 million), of which approximately HK\$318.3 million was due to P&R Holdings, approximately HK\$1,372.7 million was due to the Regal Group and approximately HK\$1,190.9 million was due to Faith Crown.

For the six months ended 30 June 2016

For the six months ended 30 June 2016, the Cosmopolitan Group's revenue amounted to approximately HK\$9.9 million, representing an increase of approximately 37.5% from approximately HK\$7.2 million recorded for the corresponding period last year. The growth in revenue was mainly attributable to the revenue of approximately HK\$3.7 million derived from logistics business, which started in June 2016 after the Cosmopolitan Group completed the acquisition of a group of companies operating logistics and related business in the PRC in May 2016. For the six months ended 30 June 2015 and 2016, no revenue from property development and investment was recognised.

During the six months ended 30 June 2016, the Cosmopolitan Group recorded a profit attributable to shareholders of approximately HK\$40.3 million, whilst in the corresponding period last year, it recorded a loss of approximately HK\$164 million. The profit recorded for six months ended 30 June 2016 was mainly due to (i) the recognition of a gain arising from the decrease in the fair value

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of the Option for the subscription of the Optional CB; and (ii) the recognition of a gain on bargain purchase arising from the Cosmopolitan Group's acquisition of a 60% interest in a subsidiary investing in licensed logistics services in Shanghai. The loss recorded for the corresponding period last year was mainly due to the increase in fair value of the Option.

As at 30 June 2016, the Cosmopolitan Group's net assets increased by approximately 9.9% to approximately HK\$1,143.8 million from approximately HK\$1,040.4 million as at 31 December 2015. As at 30 June 2016, the Cosmopolitan Group's properties under development increased by approximately 7.0% to approximately HK\$4,238.2 million from approximately HK\$3,962.3 million as at 31 December 2015. The increase was mainly due to the ongoing construction works in the Chengdu Project and the Tianjin Project during the period. As at 30 June 2016, cash and bank balances (excluding restricted cash, pledged time deposits and time deposits) of the Cosmopolitan Group amounted to approximately HK\$470.9 million, representing an increase by approximately 86.0% from approximately HK\$253.2 million as at 31 December 2015.

As at 30 June 2016, other payables of the Cosmopolitan Group amounted to approximately HK\$2,881.9 million (31 December 2015: HK\$2,881.9 million), of which approximately HK\$318.3 million was due to P&R Holdings, approximately HK\$1,372.7 million was due to the Regal Group and approximately HK\$1,190.9 million was due to Faith Crown.

Outlook

The Cosmopolitan Group believes that the economy of the PRC will slowly stabilise and, with the policy support of the PRC government, the property market in the second and third tier cities will gradually revive. In order to address the high property inventory, the PRC government has since 2014 relaxed the purchase restrictions (樓市限購) especially in the second and third tier cities, including Chengdu and Tianjin, where the two core development projects of the Cosmopolitan Group reside. Furthermore, since 2015, the PRC government also lowered the amount of down payments for end user's financings and stamp duties in order to spur housing sales. Further details of the policies are set out under the section headed "4. Outlook of the property market in the PRC" of the Letter.

According to the Management, the two core development projects of the Cosmopolitan Group in Tianjin and Chengdu, both comprising residential and commercial components, with the latter encompassing a hotel component as well, are overall progressing in line with the latest schedules. With regards to the presale status up to the Latest Practicable Date, the presale of three residential towers consisting of a total of 362 units comprised in the Chengdu Project commenced in April 2016, realising contracted sales of approximately RMB175 million (equivalent to approximately HK\$204.8 million at an RMB:HKD exchange rate of approximately 1.17). On the other hand, the presale of 376 residential units under the Tianjin Project commenced in October 2015, while the presale of car parking spaces commenced at the end of August 2016, and as at the Latest Practicable Date, approximately 99% of the available residential units had been sold, generating contracted sales of approximately RMB980 million (equivalent to approximately HK\$1,146.6 million at an RMB:HKD exchange rate of approximately 1.17), while the contracted sales of the car parking spaces amounted to approximately RMB10 million (equivalent to approximately HK\$11.7 million at an RMB:HKD exchange rate of approximately 1.17). Further substantial sales proceeds are expected by the Cosmopolitan Group to be received when the presales of the remaining residential units and other

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commercial and hotel components in the aforesaid projects are completed in 2021. In this respect, based on our discussion with the Management, the development progress of these two projects supports the sales projection. As the timing of repayment of the Loan Facilities is now proposed to be aligned with the progress of the latest presale programme and completion schedule of the Chengdu Project and the Tianjin Project, the Management believes and we concur that this will allow flexibility for the Cosmopolitan Group to manage its funds going forward.

2. Background of the Regal Payable and circumstances leading to the proposed granting of the Loan Facilities

In June 2013, the Cosmopolitan Group entered into agreements with respective vendors to acquire the Chengdu Project and the Tianjin Project. Details of the relevant transactions are set out in the “Letter from the Regal Board” of the Circular as well as the announcement dated 27 June 2013 jointly published by Century City, Paliburg and Regal, Cosmopolitan’s announcement dated 27 June 2013, the respective circulars of Century City and Paliburg dated 29 August 2013 and Cosmopolitan’s circular dated 28 August 2013. Completion of the Chengdu Transaction, the Tianjin Transaction and the Novation took place on 13 September 2013. Under the terms of the Chengdu Transaction, the Tianjin Transaction and the Novation, the respective considerations were payable on the date falling three years after completion, i.e. 13 September 2016, and such due date was back then agreed with reference to the previous development schedules of the Chengdu Project and the Tianjin Project formulated by Cosmopolitan at the time of its acquisition of these two projects. It was the intention of Cosmopolitan that the outstanding considerations under the aforesaid transactions would be settled by proceeds raised from the presales and/or sales of the units developed in the Chengdu Project and the Tianjin Project. Nevertheless, it came to the Management’s understanding from the management of Cosmopolitan that the previous development schedules would have to be extended, as appropriate, due to the changes in the property market in the PRC since Cosmopolitan had acquired the two projects. Notwithstanding the extension on schedule, Cosmopolitan has secured a number of contracted sales of the properties under the two projects, and furthermore, the interest accruing on the outstanding considerations under the aforesaid transactions has been settled from time to time and a certain portion of the principal amount of the outstanding considerations has been repaid from the proceeds of such contracted sales and the internal funds of Cosmopolitan. Based on the latest development schedules of the Chengdu Project and the Tianjin Project, the development of these two projects is expected to be completed by the end of 2020, with the presale of the units under the two projects to be completed in 2021 pursuant to the presale programme.

On 4 August 2016, the board of directors of Faith Crown resolved that subject to and on the date of satisfaction of all the conditions precedent to the Facilities Agreement, Faith Crown will effect the Profit Distribution, whereby as at the date of the Facilities Agreement becoming unconditional, Faith Crown will assign its then total amount receivable from Ample State, being the aggregate outstanding considerations under the Chengdu Transaction B and the Novation, to Regal BVI (a wholly-owned subsidiary of Regal) and Mass Surplus (a wholly-owned subsidiary of Cosmopolitan) in proportion to their respective 50-50 interests in Faith Crown by way of profit distribution. Therefore, under the Profit Distribution, the Cosmopolitan Group shall owe the Regal Group 50% of the total amount receivable due by Ample State to Faith Crown, and such amount together with the outstanding consideration due by Fortune City (a wholly-owned subsidiary of Cosmopolitan) to Regal BVI under the Tianjin Transaction will form a total amount payable by the Cosmopolitan Group to the Regal Group, being the Regal Payable.

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The Regal Group noted that the management of the Cosmopolitan Group had considered external refinancing, being bank borrowing, for the repayment of the amount payable to the Regal Group. However, such approach was considered impracticable in light of the present status of the two projects, the limitations under banks' internal loan policies, as well as the amount payable to the Regal Group. Hence as requested by the Cosmopolitan Group, the Regal Group has entered into the Facilities Agreement for the granting of the Loan Facilities to refinance the amount payable to the Regal Group by the Cosmopolitan Group for a term of 5 years, aligning with the latest development schedules and presale programme of the Chengdu Project and the Tianjin Project.

3. Principal terms of the Loan Facilities

We summarise below the principal terms of the Loan Facilities, and please refer to Appendix I to the Circular for the details:

Loan facilities amount	(i) Term loan of HK\$1,350 million; and (ii) Revolving loan of HK\$500 million.
Interest rate	5.0% per annum, which is determined after arm's length negotiation between the parties and with reference to the Regal Group's cost of funding.
Repayment terms	Any outstanding amounts of the term loan and the revolving loan shall be repaid on the date falling 5 years after their respective first drawdown date.
Security	The borrower will procure to pledge the following assets (the " Security ") in favour of the lender: (i) 100% of the issued shares of Excel Crown (being the intermediate holding company of Chengdu Property 1 which comprises the residential part of the Chengdu Project) and 100% of the shareholder loan due by the Excel Crown Group to Ample State (a wholly-owned subsidiary of Cosmopolitan); (ii) 100% of the issued shares of Joyous Unity (being the intermediate holding company of Chengdu Property 2 which comprises the hotel, commercial, office and serviced apartments parts of the Chengdu Project) and 100% of the shareholder loan due by the Joyous Unity Group to Ample State; and (iii) 100% of the issued shares of Grand Praise (being the intermediate holding company of the Tianjin Project) and 100% of the shareholder loan due by the Grand Praise Group to Fortune City (a wholly-owned subsidiary of Cosmopolitan).

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Covenants

For so long as any amount is outstanding under the Facilities Agreement or any security documents creating the Security, or any commitments under the Facilities Agreement are in force, save with the prior written consent of the lender, or unless specified to the contrary or as permitted under the Facilities Agreement, the borrower and each of Ample State, Fortune City and their respective subsidiaries (collectively the “**Project Group**”) shall (among other things):

- (i) not dispose of any of its assets other than in the ordinary course of business on arm’s length basis for no less than the fair market value, whereby any proceeds from such disposal shall be applied to repay or prepay any outstanding Loan Facilities and/or as working capital of the Project Group;
- (ii) not change the nature or scope of any of its businesses carried on at the date of the Facilities Agreement, or discontinue a material part of its business as a whole which would or is likely to have a material adverse effect and not acquire any business (or a substantial part of a business) or shares or invest in any business, securities or investment funds, or acquire any capital assets or otherwise incur capital expenditure, except in furtherance of the business of the Project Group as carried on at the date of the Facilities Agreement; and
- (iii) not issue or allot any share or loan capital to any person.

When considering the reasonableness of the terms of the Loan Facilities, we have taken into account the following factors:

3.1 Interest rate

As described in the Letter, the interest rate of 5.0% per annum of the Loan Facilities was determined at arm’s length with reference to the cost of funding to the Regal Group. When considering the reasonableness of the interest rate, we have taken into account the cost of funding of the Regal Group. With regards to the cost of funding of the Regal Group, we have considered the interest rates of the term notes issued by the Regal Group in the past years as well as its bank borrowings, and accordingly we have reviewed the Regal 2016 Interim Results, the Regal 2015 Annual Report, the announcements of the term notes as well as the facilities letters of other bank borrowings of the Regal Group. As shown in the Regal 2016 Interim Results and Regal 2015 Annual Report, the Regal Group had issued unsecured 5-year term notes (excluding the term notes issued by Regal REIT as these borrowings are restricted to Regal REIT’s use) with aggregate nominal principal amounts of US\$300.0 million and US\$350 million in October 2012 and July 2016 respectively. The effective interest rates of Regal Group’s notes (excluding those of Regal REIT) range from approximately 3.95% to 4.38%.

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In addition, as shown in the Regal 2015 Annual Report, as at 31 December 2015, the Regal Group has bank borrowings (excluding those of Regal REIT) carrying an interest range between the bank's cost of fund plus 0.75% (i.e. approximately 1.01% as at Latest Practicable Date) to HIBOR plus 1.5% per annum (i.e. approximately 2.71% as at Latest Practicable Date).

Given that the interest rate of 5.0% per annum of the Loan Facilities is higher than the Regal Group's cost of funding as aforementioned, we are of the view that the interest rate of the Loan Facilities is fair and reasonable and is determined on normal commercial terms or better.

3.2 Repayment terms

As described above, any outstanding amounts of the term loan and the revolving loan shall be repaid on the date falling 5 years after their respective first drawdown date. Taking into account the latest presale progress and completion schedule of the Chengdu Project and the Tianjin Project, the Regal Directors expect the development of the projects will complete by 2020, whilst the presale or sale of properties of these projects will be completed in stages by 2021. As such, the loans drawn shall be repayable on the date falling 5 years after their respective first drawdown date which is expected to take place after the Loan Facilities become effective in 2016. On the basis of such first drawdown date, the repayment of the Loan Facilities will fall due in 2021, which is in line with the timing of the completion of presale progress. In addition, a part of the Loan Facilities in the amount of HK\$500 million will be made available on a revolving basis with a view to providing flexibility to the Cosmopolitan Group in the interim period, before the Loan Facilities are finally repaid.

In addition, based on the outlook of the Chengdu Project and the Tianjin Project as mentioned under the paragraphs headed "Outlook" in the section headed "1.2 Information on the Cosmopolitan Group" of the Letter, the Management anticipates that the Regal Group will be able to share the profit potentials of these projects upon their completion through its direct and indirect interests in the Cosmopolitan Group. As at the Latest Practicable Date, the contracted presales noted from the two projects, in aggregate, have amounted to approximately RMB1,165 million (equivalent to approximately HK\$1,363.1 million at an RMB:HKD exchange rate of approximately 1.17). Consequently, in view of the Cosmopolitan Group's outstanding considerations under the Chengdu Transaction, the Tianjin Transaction and the Novation falling due in September 2016, the Regal Group agrees to provide financial assistance to it through the provision of the Loan Facilities, of which the repayment terms were determined with reference to the expected presale or sale timetable of these projects.

Regarding the Cosmopolitan Group's financial position, although losses attributable to equity holders were recognised during the year ended 31 December 2014 and 2015, profits derived from the presale of development properties in the PRC have yet to be recognised in accordance with the accounting standards. Revenue will be recognised upon the completion of the construction works and the handover of the properties to the purchasers.

The Cosmopolitan Group expects that the Chengdu Project and the Tianjin Project generate a substantial amount of profit and cash flows when the projects are completed. Under the current development plan, the construction works of the projects will be completed in phases by 2020 and the presale programme will progress until 2021. Given that the Chengdu Project and the Tianjin Project

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have been under construction and are proceeding in accordance with the latest schedules, the Management and management of the Cosmopolitan Group believe the Chengdu Project and the Tianjin Project can be expected to be completed according to plan. As a result, it is expected that the progressive receipt of sales proceeds will enable the Cosmopolitan Group to fulfil its repayment obligations under the Loan Facilities.

In respect of the development progress of the Chengdu Project and the Tianjin Project, we have reviewed the latest development schedules of the development projects, the recent progress payments to the construction contractors of the two projects, sample sales contracts, as well as the agreements between the Cosmopolitan Group and real estate agencies for the sales and presale programmes. Based on these documents, we believe that the actual developments and presales of the projects are in line with the latest schedules. Further, we have also conducted necessary research on the property market in the PRC, particularly in Chengdu and Tianjin, the findings of which, as stated in the section headed “4. Outlook of the property market in the PRC” of the Letter, also support the latest presale programmes.

Furthermore, as mentioned in the paragraph headed “Interest rate” under this section above, we noted that the term notes issued by the Regal Group in 2012 and 2016 also have tenors of 5 years, which is in line with the repayment term of the Loan Facilities.

Having considered the above, we are of the view that the repayment terms of the Loan Facilities are fair and reasonable, and we concur with the Management’s view that the repayment terms of the Loan Facilities align with Cosmopolitan Group’s latest development schedules as well as its presale programme, will enable the Cosmopolitan Group to fulfill its repayment obligations under the Loan Facilities.

3.3 Security

In relation to the outstanding considerations payable by the Cosmopolitan Group in relation to the Chengdu Project, 65.0% of the issued shares of each of Joyous Unity and Excel Crown (i.e. the companies that own 100.0% of the Chengdu Project) was pledged to Faith Crown, which is indirectly owned by Regal as to 50.0%, whilst the remaining 35.0% of the issued shares of each of Joyous Unity and Excel Crown was pledged to P&R Holdings, which is indirectly owned by Regal as to 50.0%. Under the Facilities Agreement, the Loan Facilities will be secured by the Security (i.e. the entire issued share capital of each of Joyous Unity, Excel Crown and Grand Praise, and hence including the entire Chengdu Project and Tianjin Project) as mentioned above, and therefore the security that Regal Group holds in relation to the amount payable by Cosmopolitan Group will be enhanced upon the provision of the Loan Facilities.

As shown in Cosmopolitan 2016 Interim Results, the Cosmopolitan Group’s carrying value of properties under development, which comprise the Chengdu Project and Tianjin Project, amounted to approximately HK\$4,238.2 million as at 30 June 2016. Such amount implies the carrying value of the Security as at 30 June 2016, and as compared to the Loan Facilities of HK\$1,850.0 million, the loan-to-value ratio is approximately 43.7% as at 30 June 2016. Based on the above, we are of the view that the value of the Security reasonably exceeds the Loan Facilities, which is fair and reasonable, is on normal commercial terms and is in the interests of Regal and the Regal Shareholders as a whole.

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3.4 Covenants

With regards to the provision of the Loan Facilities to the Cosmopolitan Group, the borrower and each of Ample State, Fortune City and their respective subsidiaries are bound by certain covenants. For example, they are restricted from disposing their assets unless the disposals are in the ordinary course of business and are conducted at arm's length; the proceeds of disposals shall be applied to either the repayment of the Loan Facilities or the working capital of the Project Group. Furthermore, the Project Group shall not change the nature of its business and shall not issue or allot shares to any person.

As the Project Group is principally engaged in the development of the Chengdu Project and Tianjin Project, we are of the view that such covenants can assure the Regal Group that the Project Group focuses on its property development business and is committed to repay the loan facilities with its presale or sales proceeds. In addition, since the Loan Facilities are secured by 100% of the issued shares of Excel Crown, Joyous Unity and Grand Praise, which are part of the Project Group, the restriction on the issue or allotment of shares of the Project Group to any person will ensure that the Regal Group's interest in the Chengdu Project and Tianjin Project is retained (in case the Cosmopolitan Group defaults on the repayment of the Loan Facilities). As a consequence, we are of the view that the covenants of the Loan Facilities are fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole.

Having considered the above, we are of the view that the terms of the Facilities Agreement are on normal commercial terms and are fair and reasonable.

4. Outlook of the property market in the PRC

4.1 PRC government policy on the overall property market

We understand that the Management, based on the latest policies implemented by the PRC government, believes the Cosmopolitan Group's presale objectives to be fair and reasonable and remains confident in the long term potential of the two projects. In this connection, we have noted the following:

Relaxed property purchase restrictions

The PRC government, with the intention to reduce the high level of inventories in the primary property market, has relaxed substantial property purchase restrictions (樓市限購) in most of the second and third tier cities, including Chengdu and Tianjin, in accordance to the maturity of the city's property market. Further, the Management anticipates that nationwide relaxation of such restrictions should help to boost housing demand from local and national end users and investors, and to accelerate property purchase transactions in the medium and long term, which in turn is favourable to the presale of the Chengdu Project and Tianjin Project.

Lower cost of property acquisition

In an attempt to spur housing sales, the PRC government has lowered the down payment requirements for additional property purchases from 30% to 20% in most cities, including Chengdu

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and Tianjin, for end users and investors who do not have loans on their existing properties as set out in the governmental announcement (中國人民銀行關於調整住房公積金個人住房貸款購房最低首付款比例通知). In addition, acquisition transactions in Chengdu and Tianjin are subject to relatively low stamp duties, which measure up to 0.3% and 1.5% respectively, as provided under the Provisional Regulations on Stamp Duty of the PRC (中華人民共和國印花稅暫行條例) and the joint announcement from Tianjin governmental departments dated 17 October 2014.

The abovementioned measures have raised housing demand in first tier cities noticeably in 2015, and the Management expects such positive momentum to gradually diffuse into property markets in other cities, including Chengdu and Tianjin. In consideration of the above, we concur with the Management's view that the presale prospect is positive, and the subsequent policy support from the PRC government should enhance the success of the two projects, in which the Regal Group has substantial interests in. In light of the above, we concur with the Management that the latest presale programme will enable the Cosmopolitan Group to fulfill its repayment obligations under the Loan Facilities.

4.2 Chengdu and Tianjin property market

Based on the information published by the Chengdu Bureau of Statistics (成都市統計局), Chengdu's gross domestic product ("GDP") for the year ended 31 December 2015 was approximately RMB1,080.1 billion, representing an increase of approximately 7.9% as compared to the previous year. Investment in real estate development for the year ended 31 December 2015 amounted to approximately RMB244.2 billion, representing an increase of approximately 10% as compared to the previous year, in which residential real estate sales for the year ended 31 December 2015 amounted to approximately RMB162.1 billion, representing a mild increase of approximately 0.2% as compared to the previous year.

Pursuant to the information published by the Tianjin Bureau of Statistics (天津市統計局), Tianjin's GDP for the year ended 31 December 2015 was approximately RMB1,653.8 billion, representing an increase of approximately 9.3% as compared to the previous year. Investment in real estate development for the year ended 31 December 2015 amounted to approximately RMB187.2 billion, representing an increase of approximately 10.1% as compared to the previous year, in which real estate sales for the year ended 31 December 2015 amounted to approximately RMB179.0 billion, representing an increase of approximately 20.4% as compared to the previous year. Considering the PRC economy is slowly stabilising, the Management is optimistic about the long term potential of the Chengdu Project and the Tianjin Project. Based on the above, we therefore concur with the Management that the Cosmopolitan's presale programme is consistent with the long term economic prospect. Such outlook underpins the presale potentials, enabling the Cosmopolitan Group to fulfill its repayment obligations under the Loan Facilities.

Taking into account the long term prospect of the PRC property market and economic growth trend in Chengdu and Tianjin, which should underpin the presale objectives of the Chengdu Project and the Tianjin Project, together with (i) the exiting indirect interest the Regal Group already has in these projects; (ii) an anticipation of realising satisfactory return from these projects; and (iii) the possible acquisition of the hotel component of the Chengdu Project which is in line with the Regal Group's strategy to expand its presence in the PRC hotel market, it will be in the interest of the Regal Group to continue to facilitate the development of these projects.

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5. Reasons for and benefits of the transaction

The main purpose of the Loan Facilities is to refinance the Regal Payable.

When considering reasonableness of the Regal Group granting the Loan Facilities to the Cosmopolitan Group for the aforesaid purpose, we noted the following:

5.1 *Steady interest income to Regal Group*

The Cosmopolitan Group pays interest at a rate of 5.0% per annum on its outstanding considerations under the Chengdu Transaction, the Tianjin Transaction and the Novation which was due in September 2016. As such outstanding considerations are partially due to the Regal Group through Regal's subsidiary or joint venture, in the past, Regal Group had been receiving a steady stream of interest income from the Cosmopolitan Group.

As the Regal Group has a financial position with a net asset value of approximately HK\$12,987.9 million as at 30 June 2016 and cash and bank balances of approximately HK\$701.8 million as at 30 June 2016, the Regal Group is not in imperative need of the repayment of the Regal Payable by the Cosmopolitan Group, to finance its operating, financing and investing needs. The Regal Directors consider that the Regal Group is able to continue its operations and business plans using its internally generated capital as well as its external sources of financing. As such, the Regal Group can continue to pursue its business plans without incurring additional costs due to its capital being tied up with the Cosmopolitan Group. Taking into account the current financial position and outlook of the Regal Group as mentioned under the paragraph headed "1.1 Information on the Regal Group", we concur with the Management's view that the Regal Group has no imminent cash flow requirement and the provision of the Loan Facilities to refinance the Regal Payable will not have an adverse impact on the financial position of the Regal Group. Furthermore, the Facilities Agreement will also enable the Regal Group to continue to receive a steady stream of income from the Cosmopolitan Group, accruing at the 5.0% per annum interest rate of the Loan Facilities.

In addition, as explained under the paragraph headed "Interest rate" in the section "3. Principal terms of the Loan Facilities" of the Letter, the interest rate of the Loan Facilities is higher than the Regal Group's cost of funding, in consideration of which, we are of the view that the Loan Facilities is in the interests of Regal and the Regal Shareholders as a whole.

5.2 *Consolidated security pledged to Regal Group*

At the same time, the security related to the Regal Payable, the P&R Payable and the FC Payable (including those under the Novation) will be released; and in turn, the assets released will form the assets pledged in favour of the Regal Group under the Facilities Agreement as further described under "Security" in Appendix I to the Circular. In other words, with the amount owing by the Cosmopolitan Group to the Regal Group being consolidated under the Loan Facilities, the security pledged to the Regal Group is also enhanced and consolidated as mentioned under the paragraph headed "Security" of this Letter, where 100% of Cosmopolitan Group's interests in the Tianjin Project and Chengdu Project would be pledged to the Regal Group.

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As shown in Cosmopolitan 2016 Interim Results, the Cosmopolitan Group's carrying value of properties under development, which comprise the Chengdu Project and Tianjin Project, amounted to approximately HK\$4,238.2 million as at 30 June 2016. Such amount implies the carrying value of the Security as at 30 June 2016, and as compared to the Loan Facilities of HK\$1,850.0 million, the loan-to-value ratio is approximately 43.7% as at 30 June 2016. Based on the above, we are of the view that the value of the Security reasonably exceeds the Loan Facilities, which is fair and reasonable, is on normal commercial terms and is in the interests of Regal and the Regal Shareholders as a whole.

5.3 Shareholding interests in and relationship with Cosmopolitan

As at the Latest Practicable Date, Regal (i) through wholly-owned subsidiaries owns approximately 9.1% of Cosmopolitan; and (ii) has an indirect 50% interest in P&R Holdings which in turn owns approximately 64.3% of ordinary shares of Cosmopolitan in issue and approximately 2,345.5 million convertible preference shares of Cosmopolitan. Meanwhile, Cosmopolitan (through a wholly-owned subsidiary) held approximately 2.5% of the total ordinary shares of Regal in issue as at the Latest Practicable Date.

Meanwhile, as demonstrated under the section headed "2. Background of the Regal Payable and circumstances leading to the proposed granting of the Loan Facilities", the Regal Payable due by the Cosmopolitan Group to the Regal Group will be an evolvement of a series of transactions and events. Therefore, the provision of the Loan Facilities is considered to be an effective refinancing of the outstanding considerations payable (Regal Payable) by the Cosmopolitan Group to the Regal Group.

As Regal holds effectively an aggregate of approximately 41.3% shareholding interests in Cosmopolitan, and having considered that the Loan Facilities is an effective refinancing of the Regal Payable by the Cosmopolitan Group to the Regal Group, it is recognised that the flexibility accorded to the Cosmopolitan Group under the Loan Facilities will accrue towards Regal as a shareholder.

In addition, it is noted that the Regal Group and the Cosmopolitan Group may consider in due course the possible acquisition by the Regal Group of the hotel component comprised in the Chengdu Project. Facilitating the Cosmopolitan Group to continue with the development by providing it the Loan Facilities allows the Regal Group to have this potential acquisition pipeline.

Having considered the above, we are of the view that the provision of the Loan Facilities to the Cosmopolitan Group is fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole, despite that the provision of the Loan Facilities is not in the ordinary and usual course of business of the Regal Group.

6. Possible financial effects of the transaction on Regal

The provision of the Loan Facilities is predicated on historical events, being the Chengdu Transaction, Tianjin Transaction and the Novation which gave rise to the Regal Payable. As described under the paragraph headed "2. Background of the Regal Payable and circumstances leading to the proposed granting of the Loan Facilities" of the Letter, subject to the satisfaction of all the conditions precedent to the Facilities Agreement, the Loan Facilities will be utilised to settle the Regal Payable. Further, the amount of Loan Facilities, being approximately HK\$1,850.0 million, is also similar to the

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amount of the Regal Payable, being approximately HK\$1,850.5 million. Therefore the Loan Facilities in effect facilitate an extension of the repayment term of the existing outstanding consideration due by the Cosmopolitan Group to the Regal Group. In short, from the Regal Group's perspective, there is no additional cash outflow from the provision of the Loan Facilities. Taking into account above, the Loan Facilities would not have any material impact on the assets and liabilities of the Regal Group. In addition, the Regal Group will earn interest income on the Loan Facilities at an interest rate of 5.0% per annum.

RECOMMENDATION

Having considered the above factors, we are of the view that (i) the Loan Facilities as contemplated under the Facilities Agreement are in the interests of Regal and the Regal Shareholders as a whole; and (ii) the terms of the Loan Facilities as contemplated under the Facilities Agreement are on normal commercial terms and fair and reasonable so far as the Regal Independent Shareholders are concerned, despite that the provision of the Loan Facilities is not in the ordinary and usual course of business of the Regal Group.

Accordingly, we recommend the Regal Independent Board Committee to advise the Regal Independent Shareholders, and recommend Regal Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Facilities.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Executive Director

Ms. Jeanny Leung ("Ms. Leung") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 25 years of experience in corporate finance advisory and commercial field in Greater China.

Pursuant to Rule 13.84 of the Listing Rules, Altus Capital Limited is independent of Regal. Altus Capital Limited acted as the independent financial adviser for Regal REIT in relation to the transaction as laid out in the circular of Regal REIT dated 13 March 2015. Save for the aforesaid engagement, Altus Capital Limited has not acted as an independent financial adviser or financial adviser for other transactions of the Regal Group and its parents in the last two years from the date of the Circular.

APPENDIX I SALIENT TERMS AND CONDITIONS OF THE LOAN FACILITIES

On 4 August 2016, Long Profits (a wholly-owned subsidiary of Regal), Cosmopolitan and Bizwise (a wholly-owned subsidiary of Cosmopolitan) entered into the Facilities Agreement in relation to the provision of the Loan Facilities, the salient terms and conditions of which are set out below:

- Lender: Long Profits (a wholly-owned subsidiary of Regal)
- Borrower: Bizwise (a wholly-owned subsidiary of Cosmopolitan)
- Guarantor: Cosmopolitan
- Loan facilities amount: (i) Term loan of HK\$1,350 million; and
(ii) Revolving loan of HK\$500 million.
- Purposes: The first advance of the Loan Facilities may only be used:
(i) to settle the amount payable by Ample State to Regal BVI as a result of the Profit Distribution; and/or
(ii) to settle the cash consideration payable by Fortune City to Regal BVI under the Tianjin Transaction.
- The revolving loan facility shall be available for drawdown on a revolving basis until one month before the final repayment date.
- Interest rate: 5.0% per annum, which is determined after arm's length negotiation between the parties and with reference to the cost of funding to the Regal Group.
- Interest is payable yearly in arrears.
- Repayment terms: (i) Any outstanding amounts of the term loan and the revolving loan shall be repaid on the date falling 5 years after their respective first drawdown date.
(ii) Early repayment of the term loan and the revolving loan is permissible with 7-day prior written notice.
- Security: The borrower will procure to pledge the following assets (the "**Security**") in favour of the lender:
(i) 100% of the issued shares of Excel Crown (being the intermediate holding company of Chengdu Property 1 which comprises the residential part of the Chengdu Project) and 100% of the shareholder loan due by the Excel Crown Group to Ample State (a wholly-owned subsidiary of Cosmopolitan);

APPENDIX I SALIENT TERMS AND CONDITIONS OF THE LOAN FACILITIES

- (ii) 100% of the issued shares of Joyous Unity (being the intermediate holding company of Chengdu Property 2 which comprises the hotel, commercial, office and serviced apartments parts of the Chengdu Project) and 100% of the shareholder loan due by the Joyous Unity Group to Ample State; and
- (iii) 100% of the issued shares of Grand Praise (being the intermediate holding company of the Tianjin Project) and 100% of the shareholder loan due by the Grand Praise Group to Fortune City (a wholly-owned subsidiary of Cosmopolitan).

Please refer to the section headed “Background of Chengdu Transaction and Tianjin Transaction” in the “Letter from the Regal Board” section of this circular for further details in respect of the above-mentioned assets to be pledged as security. The Regal Group understands from Cosmopolitan that the Chengdu Project and the Tianjin Project under the Security had an aggregate net book value of approximately HK\$4,238.2 million as at 30 June 2016.

Conditions precedent:

The provision of the Loan Facilities by Long Profits to Bizwise is conditional upon satisfaction of the following conditions on or before 13 October 2016 (as extended by the parties) or such other date as they may further agree in writing:

- (i) Regal and Cosmopolitan having obtained the approvals of their respective independent shareholders;
- (ii) the extension of the maturity dates of the CB and Optional CB (details of which are set out in the Joint Announcement) becoming unconditional; and
- (iii) all security documents required under the Facilities Agreement having been executed.

The Loan Facilities shall be available for drawdown on the Business Day after the satisfaction of the aforesaid conditions precedent.

Covenants:

For so long as any amount is outstanding under the Facilities Agreement or any security documents creating the Security, or any commitments under the Facilities Agreement are in force, save with the prior written consent of the lender, or unless specified to the contrary or as permitted under the Facilities Agreement, the borrower and each of Ample State, Fortune City and their respective subsidiaries (collectively the “**Project Group**”) shall (among other things):

APPENDIX I SALIENT TERMS AND CONDITIONS OF THE LOAN FACILITIES

- (i) ensure that its liabilities under the Facilities Agreement and the Security to which it is a party will constitute its direct and unconditional obligations ranking at least pari passu to all its other present and future, actual or contingent, obligations (except for obligations entitled to priority by operation of law or by reason of an encumbrance permitted under the Facilities Agreement);
- (ii) not create any encumbrance on any of its present or future assets (other than the Security created pursuant to the Facilities Agreement and other permitted encumbrances as set out in the Facilities Agreement);
- (iii) not dispose of any of its assets other than in the ordinary course of business on arm's length basis for no less than the fair market value, whereby any proceeds from such disposal shall be applied to repay or prepay any outstanding Loan Facilities and/or as working capital of the Project Group;
- (iv) not make or grant or extend any credit in respect of financial indebtedness except for trade credit not exceeding 120 days on normal commercial terms in the ordinary course of trade or loans made to the Project Group;
- (v) not change the nature or scope of any of its businesses carried on at the date of the Facilities Agreement, or discontinue a material part of its business as a whole which would or is likely to have a material adverse effect and not acquire any business (or a substantial part of a business) or shares or invest in any business, securities or investment funds, or acquire any capital assets or otherwise incur capital expenditure, except in furtherance of the business of the Project Group as carried on at the date of the Facilities Agreement;
- (vi) not issue or allot any share or loan capital to any person; and
- (vii) not subordinate, postpone, defer, assign or otherwise transfer or waive any indebtedness owed or owing to it by any company which is not a member of the Project Group.

AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE REGAL GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015

Financial information of the Regal Group for each of the three years ended 31 December 2013, 2014 and 2015 is disclosed on pages 76 to 174 of the annual report of Regal for the year ended 31 December 2013, pages 71 to 170 of the annual report of Regal for the year ended 31 December 2014 and pages 72 to 170 of the annual report of Regal for the year ended 31 December 2015, all of which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of Regal (www.regal.com.hk).

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE REGAL GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2016

The unaudited consolidated financial information of the Regal Group for the six months ended 30 June 2016 is disclosed in Regal's interim results announcement dated 23 August 2016, which is available on the website of the Stock Exchange (www.hkexnews.hk) and the website of Regal (www.regal.com.hk).

INDEBTEDNESS

As at the close of business on 31 July 2016, being the latest practicable date for the purpose of this statement of indebtedness, the Regal Group had outstanding borrowings of approximately HK\$13,262.5 million which represented (i) bank loans of HK\$6,281.1 million secured by certain of the Regal Group's property, plant and equipment, investment properties, financial assets at fair value through profit or loss, available-for-sale investments, time deposits and bank balances with an aggregate net book value of approximately HK\$10,678.6 million as at 30 June 2016, (ii) unsecured notes of US\$650.0 million (approximately HK\$5,042.7 million) issued under a US\$1,000.0 million medium term note programme of Regal, and (iii) unsecured notes of HK\$775.0 million and US\$150.0 million (approximately HK\$1,163.7 million) issued under a US\$1,000.0 million medium term note programme of Regal REIT (the "**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\$19.1 million, all of the above outstanding borrowings of the Regal Group were guaranteed by Regal or certain of its subsidiaries.

As at the close of business on 31 July 2016, the Regal 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 approximately HK\$2,929.8 million, of which approximately HK\$1,602.5 million was utilised.

Save as disclosed above and apart from intra-group liabilities, the Regal Group did not have, at the close of business on 31 July 2016, 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**OUTLOOK**

In view of the changing mix and spending pattern of visitors, the Hong Kong Government is staging various promotional initiatives to attract more high-spending overnight visitors to Hong Kong and to rebuild Hong Kong's reputation as a hospitality city internationally. In the long term, the Hong Kong Government has committed to upgrade Hong Kong's tourism infrastructure. Although the short term business environment will continue to be challenging, the directors of Regal Portfolio Management Limited, a wholly-owned subsidiary of Regal acting as the Manager of Regal REIT (the "**REIT Manager**") believe that the future prospects for the hotel businesses in Hong Kong will remain favourable. The REIT Manager will continue to closely monitor any appropriate investment opportunities that may become available, with a view to further expanding and broadening the asset and income base of Regal REIT. Nevertheless, having regard to the volatile economic environment globally, any such acquisitions will be pursued with particular prudence.

Based on the Half-yearly Economic Report 2016 released by the Hong Kong Government, the latest visitor arrivals trend indicated that the drag from the slowdown of inbound tourism has been reducing. The Regal Group expects that the business operations of the Regal Group's hotels in the second half of 2016, which includes the traditional high season of the year, should perform better than in the first six months.

In July 2016, the Regal Group launched a new series of unsecured guaranteed 5-year US\$ denominated term notes under the Regal Group's Medium Term Note Programme, which was met with favourable response from institutional and private investors. The 5-year term notes bear coupon interest at 3.875% per annum and were issued at an issue price of 99.663% of the nominal amount, and the total nominal amount of the notes issued was upsized from US\$300 million to US\$350 million.

With its solid asset base and strong liquid resources, the Regal Group will continue to expand its investments in different business sectors, with a view to sustaining further growth.

WORKING CAPITAL

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Regal 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 Regal. The Regal 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 REGAL DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Regal Director and chief executive of Regal in the shares, underlying shares and debentures of Regal and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to Regal and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Regal Directors and chief executive of Regal 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 Regal pursuant to Section 352 of the SFO, or as otherwise required to be notified to Regal 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:

Regal/ Name of associated corporation	Name of Regal 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. Regal	Mr. LO Yuk Sui	Ordinary (issued)	24,200	622,739,261 (Note c)	260,700	623,024,161 (67.47%)
	Miss LO Po Man	Ordinary (issued)	300,000	—	269,169 (Note d)	569,169 (0.06%)
	Dr. Francis CHOI Chee Ming	Ordinary (issued)	50,240,000	—	—	50,240,000 (5.44%)
	Mr. Allen WAN Tze Wai	Ordinary (issued)	10,200	—	—	10,200 (0.001%)
2. Century City	Mr. LO Yuk Sui	Ordinary (issued)	110,667,396	1,769,164,691 (Note a)	380,683	1,880,212,770 (58.69%)
	Miss LO Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.004%)

Regal/ Name of associated corporation	Name of Regal 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	
	Ms. Belinda YEUNG Bik Yiu	Ordinary (issued)	200	—	—	200 (0.000%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)
	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%)
3. Paliburg	Mr. LO Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
	Miss LO Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
	Mr. Donald FAN Tung	Ordinary (issued)	556	—	—	556 (0.000%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
	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)	200	—	—	200 (0.000%)
4. Cosmopolitan	Mr. LO Yuk Sui	Ordinary (i) (issued)	—	3,117,856,716 (Note e)	—	3,117,856,716
		(ii) (unissued)	—	5,024,058,784 (Note f)	—	5,024,058,784
					Total:	8,141,915,500 (191.55%)
		Preference (issued)	—	2,345,487,356 (Note f)	—	2,345,487,356 (99.98%)

Regal/ Name of associated corporation	Name of Regal Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Corporate interests	Family/Other interests		
	Miss LO Po Man	Ordinary (issued)	1,380,000	—	—	1,380,000 (0.03%)	
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,269,101	—	—	2,269,101 (0.05%)	
5. Regal REIT	Mr. LO Yuk Sui	Units (issued)	—	2,443,033,102 (Note g)	—	2,443,033,102 (74.99%)	
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”).
- (b) The interests in 694,124,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 58.67% shareholding interests.

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 issued Regal Shares were held through companies wholly owned by Century City, in which Mr. Lo held 58.67% shareholding interests. The interests in 599,025,861 issued Regal Shares were held through companies wholly owned by Paliburg, in which Century City held 62.28% shareholding interests. The interests in the other 23,292,000 issued Regal Shares were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings (which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries) held 64.26% shareholding interests. Paliburg held 67.40% shareholding interests in Regal.
- (d) The interests in 269,169 issued Regal Shares were held by Miss LO Po Man as the beneficiary of a trust.
- (e) The interests in 2,731,316,716 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 Regal through their respective wholly owned subsidiaries. The interests in the other 386,540,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of Regal. Paliburg, in which Century City held 62.28% shareholding interests, held 67.40% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.
- (f) The interests in 5,024,058,784 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 67.40% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.

The interests in 2,345,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,345,487,356 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the CB issued by a wholly owned subsidiary of Cosmopolitan. The CB are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.35 per ordinary share (subject to adjustments in accordance with the terms of the CB).

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the possible subscription for the Optional CB to be issued by a wholly owned subsidiary of Cosmopolitan pursuant to the subscription agreement dated 30 April 2014 (as supplemented by a supplemental agreement dated 19 June 2014) entered into between Cosmopolitan and P&R Holdings. The Optional CB, if subscribed for and issued, will be convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the Optional CB).

- (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 Regal. 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 was held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 67.40% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.
- (h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.67% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed above, none of the Regal Directors or the chief executive of Regal had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of Regal or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to Regal 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 Regal under Section 352 of the SFO, or which were required to be notified to Regal and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Regal 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 Regal Group since 31 December 2015, being the date to which the latest published audited financial statements of the Regal Group were made up.

None of the Regal 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 Regal Group.

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

- (1) Mr. LO Yuk Sui is a director of YSL International Holdings Limited.
- (2) Mr. LO Yuk Sui, Miss LO Po Man and Mr. Jimmy LO Chun To are directors of Grand Modern Investments Limited.
- (3) 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.
- (4) 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 Century City BVI Holdings Limited, Paliburg Development BVI Holdings Limited, Guo Yui Investments Limited, Paliburg BVI Holdings Limited, Taylor Investments Ltd. and Glaser Holdings Limited.

3. SERVICE CONTRACTS

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

4. LITIGATION

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Regal 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 Regal Group other than those businesses to which the Regal Directors and his/her associates were appointed to represent the interests of Regal and/or the Regal Group.

6. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Altus 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

Altus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear. The letter of Altus Capital is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Altus Capital had no interest in the share capital of any member of the Regal 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 Regal Group, and Altus Capital had no interest, either directly or indirectly, in any assets which have, since 31 December 2015, the date to which the latest published audited financial statements of the Regal Group were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Regal Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Regal Group within the two years immediately preceding the date of this circular which are or may be material:

- (a) an agreement dated 28 April 2015 entered into between Regal Hotels Investments Limited (a wholly-owned subsidiary of Regal) and Capital Merit Investments Limited (a wholly-owned subsidiary of Paliburg) in relation to provision of financial assistance to the P&R Group by the Regal Group and the Paliburg Group in proportion to their respective shareholdings in P&R Holdings in the maximum amount of HK\$900 million each; and
- (b) the Facilities Agreement.

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

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Regal Directors were not aware of any material adverse change in the financial or trading position of the Regal Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Regal Group were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business in Hong Kong of Regal 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 material contracts referred to in the section headed “Material contracts” of this Appendix;
- (b) the sale and purchase agreement dated 27 June 2013 entered into between P&R Holdings and Ample State in respect of the Chengdu Transaction A;
- (c) the sale and purchase agreement dated 27 June 2013 entered into between Faith Crown and Ample State in respect of the Chengdu Transaction B;
- (d) the novation and variation deed dated 27 June 2013 entered into between Faith Crown, P&R Holdings and Ample State in respect of the Novation;
- (e) the sale and purchase agreement dated 27 June 2013 entered into between Regal BVI and Fortune City in respect of the Tianjin Transaction;
- (f) the memorandum of association and bye-laws of Regal;
- (g) the annual reports of Regal for the two years ended 31 December 2014 and 2015;
- (h) this circular;
- (i) the written consent referred to in the section headed “Qualification and consent of expert” of this Appendix; and
- (j) Altus Capital’s letter of advice dated 23 September 2016.

10. GENERAL

- (a) The registered office of Regal is at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

- (b) The head office and principal place of business of Regal in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.
- (c) The branch share registrar of Regal in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary of Regal 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 a 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 Tuesday, 11 October 2016 at 12:00 noon for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the entering into of the Facilities Agreement (as defined in the circular to the shareholders of the Company dated 23 September 2016 (the “**Circular**”), of which this notice forms part), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, the transactions contemplated thereunder and the execution of the Facilities Agreement by Long Profits (as defined in the Circular) be and are hereby confirmed, approved, authorised and/or ratified in all respects; and
- (b) any director(s) of the Company 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 in accordance with the bye-laws of the Company to) any 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 Facilities Agreement and the transactions contemplated thereunder and (to the extent permitted by the applicable law, regulations and rules, including the Listing Rules (as defined in the Circular)) to approve and/or make immaterial amendments and modifications (including extension or relaxation of time period or constraints) to the terms and conditions thereof as such director(s) may deem necessary and in the interests of the Company and its shareholders to do so.”

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

Hong Kong, 23 September 2016

NOTICE OF SGM

Notes:

1. Any member of the Company entitled to attend and vote at the SGM may appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and attend and vote on his behalf at the SGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same power on behalf of such member of the Company which he or they represent as such member of the Company could exercise.
2. In order to be valid, the instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
3. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding 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) 2894-7547 on that day to enquire about the arrangements of the SGM.