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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 or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF TARGET COMPANIES HOLDING
SECURITIES OF COSMOPOLITAN GROUP
MAJOR TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE**

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

AmCap
Ample Capital Limited
豐盛融資有限公司

A notice convening the special general meeting of Regal Hotels International Holdings Limited (the "Company") to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Saturday, 7 September 2013 at 10:30 a.m. (the "SGM") is appended to this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

22 August 2013

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DEFINITIONS

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

“Ample Capital”	Ample Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Disposal
“associates”	has the meaning as defined in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (other than Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Merit”	Capital Merit Investments Limited, a wholly-owned subsidiary of Paliburg
“CB2010”	the zero coupon guaranteed convertible bonds due on 30 September 2013 (as further extended) issued by the Cosmopolitan Group in 2007 and held by Valuegood in the principal amount of HK\$141.45 million as at the Latest Practicable Date
“CB2013(A)”	the zero coupon guaranteed convertible bonds due on 30 September 2013 (as extended) issued by the Cosmopolitan Group in 2008 to Jumbo Pearl in the principal amount of HK\$100 million
“CB2013(B)”	the zero coupon guaranteed convertible bonds due on 30 September 2013 (as extended) issued by the Cosmopolitan Group in 2008 to Time Crest in the principal amount of HK\$100 million
“CB2013(C)”	the zero coupon guaranteed convertible bonds due on 30 September 2013 issued by the Cosmopolitan Group in 2013 to Sun Joyous in the principal amount of HK\$100 million
“CB2013(D)”	the zero coupon guaranteed convertible bonds due on 30 September 2013 issued by the Cosmopolitan Group in 2013 to Well Mount in the principal amount of HK\$100 million
“CB2013(s)”	the CB2013(A), CB2013(B), CB2013(C) and CB2013(D) collectively

DEFINITIONS

“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Century City Group”	Century City and its subsidiaries, for the purposes of this circular excluding the Group
“Company”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda and whose issued Shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Conversion Share(s)”	the new Cosmopolitan Share(s) falling to be issued upon the exercise of the conversion rights attached to the relevant Cosmopolitan CBs
“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 120)
“Cosmopolitan CBs”	the CB2010 and CB2013s collectively
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Cosmopolitan Share(s)”	ordinary share(s) of par value HK\$0.0002 each in the capital of Cosmopolitan
“Directors”	the directors of the Company
“Disposal”	the disposal of the entire issued share capital of and shareholder’s loans to the Target Companies by Regal BVI and RHHL to P&R Holdings pursuant to the terms and subject to the conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 20 August 2013 entered into between Regal BVI and RHHL (as vendors of the Target Companies), Paliburg Development (as vendor of the Paliburg Target Companies) and P&R Holdings (as purchaser) in respect of the Disposal and the Paliburg Disposal
“Facility Agreement”	the facility agreement dated 20 August 2013 entered into between RHIL (a wholly-owned subsidiary of the Company) and P&R Holdings in respect of the Financial Assistance
“Financial Assistance”	the revolving credit facility to be provided by the Group to P&R Holdings in proportion to its equity interest in P&R Holdings amounting up to HK\$1,000 million pursuant to the Facility Agreement

DEFINITIONS

“Fountain Sky”	Fountain Sky Limited, a wholly-owned subsidiary of RHHL
“Great Select”	Great Select Holdings Limited, a wholly-owned subsidiary of Paliburg Development
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollar Prime Lending Rate”	The Hongkong and Shanghai Banking Corporation Limited’s best lending rate for loans in Hong Kong Dollar as quoted or designated by the said bank from time to time
“Independent Board Committee”	the independent board committee of the Board, comprising Ms. Alice KAN Lai Kuen and Professor Japhet Sebastian LAW (both being independent non-executive Directors), established to advise the Independent Shareholders on the Disposal
“Independent Shareholders”	Shareholders other than Mr. LO Yuk Sui, Century City, Paliburg and their respective associates
“Jumbo Pearl”	Jumbo Pearl Investments Limited, a wholly-owned subsidiary of Paliburg Development
“Latest Practicable Date”	20 August 2013, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
“Lendas”	Lendas Investments Limited, a wholly-owned subsidiary of Paliburg Development
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“Paliburg Development”	Paliburg Development BVI Holdings Limited, a wholly-owned subsidiary of Paliburg
“Paliburg Disposal”	the disposal of the entire issued share capital of and shareholder’s loans to the Paliburg Target Companies by Paliburg Development to P&R Holdings pursuant to the terms and subject to the conditions of the Disposal Agreement

DEFINITIONS

“Paliburg Facility Agreement”	the facility agreement dated 20 August 2013 entered into between Capital Merit (a wholly-owned subsidiary of Paliburg) and P&R Holdings in respect of a facility to be provided by the Paliburg Group to P&R Holdings in proportion to its equity interest in P&R Holdings
“Paliburg Group”	Paliburg and its subsidiaries, for the purposes of this circular excluding the Group
“Paliburg Sale CBs”	the CB2013(A) and CB2013(C) held by Jumbo Pearl and Sun Joyous respectively
“Paliburg Sale Share(s)”	an aggregate of 2,016,666,666 Cosmopolitan Shares held by Winart, Lendas and Great Select
“Paliburg Target Companies”	collectively, Winart, Lendas, Great Select, Jumbo Pearl and Sun Joyous
“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
“P&R Holdings”	P&R Holdings Limited, a joint venture established and owned by Capital Merit and RHIL as to 50% and 50% respectively
“Regal BVI”	Regal International (BVI) Holdings Limited, a wholly-owned subsidiary of the Company
“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)
“RHHL”	Regal Hotels (Holdings) Limited, a wholly-owned subsidiary of Regal BVI
“RHIL”	Regal Hotels Investments Limited, a wholly-owned subsidiary of Regal
“Sale CBs”	the CB2010, CB2013(B) and CB2013(D) held by Valuegood, Time Crest and Well Mount respectively
“Sale Share(s)”	334,000,000 Cosmopolitan Shares held by Fountain Sky
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be held on Saturday, 7 September 2013 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Disposal and the Financial Assistance
“Shareholders”	holders of Shares
“Shares”	ordinary shares of par value HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Joyous”	Sun Joyous Investments Limited, a wholly-owned subsidiary of Paliburg Development
“Takeovers Code”	the Code on Takeovers and Mergers
“Target Companies”	collectively Fountain Sky, Valuegood, Time Crest and Well Mount
“Time Crest”	Time Crest Investments Limited, a wholly-owned subsidiary of Regal BVI
“Valuegood”	Valuegood International Limited, a wholly-owned subsidiary of Regal BVI
“Well Mount”	Well Mount Investments Limited, a wholly-owned subsidiary of Regal BVI
“Winart”	Winart Investments Limited, a wholly-owned subsidiary of Paliburg Development

LETTER FROM THE BOARD



Executive Directors:

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

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

Mr. Donald FAN Tung

Mr. Jimmy LO Chun To

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Allen WAN Tze Wai

Non-Executive Director:

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

Independent Non-Executive Directors:

Ms. Alice KAN Lai Kuen

Professor Japhet Sebastian LAW

Mr. NG Siu Chan

Mr. WONG Chi Keung

Registered Office:

26 Burnaby Street

Hamilton HM 11

Bermuda

Head Office and

Principal Place of Business:

11th Floor

68 Yee Wo Street

Causeway Bay

Hong Kong

22 August 2013

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF TARGET COMPANIES HOLDING
SECURITIES OF COSMOPOLITAN GROUP**

**MAJOR TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE**

Reference is made to the announcement dated 20 August 2013 jointly issued by the Company, Century City and Paliburg.

LETTER FROM THE BOARD

On 20 August 2013 (after trading hours), the relevant members of the Group and the Paliburg Group entered into the Disposal Agreement with P&R Holdings (a 50-50 joint venture of the Company and Paliburg), pursuant to which, among others, the Group has agreed to dispose of the entire issued share capital of and shareholder's loans to the Target Companies (which hold the Sale Shares and the Sale CBs) to P&R Holdings for an aggregate consideration of approximately HK\$504.25 million.

On 20 August 2013 (after trading hours), RHIL (a wholly-owned subsidiary of the Company) and P&R Holdings entered into the Facility Agreement, pursuant to which the Group has agreed to provide the Financial Assistance amounting up to HK\$1,000 million to P&R Holdings in proportion to the Group's equity interest in P&R Holdings.

The Disposal constitutes a discloseable transaction and a connected transaction for the Company subject to independent shareholders' approval under the Listing Rules while the Financial Assistance constitutes a major transaction for the Company subject to shareholders' approval under the Listing Rules. The SGM will be convened for the purposes of considering and, if thought fit, approving the Disposal and the Financial Assistance.

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

THE DISPOSAL

On 20 August 2013 (after trading hours), Regal BVI, RHHL and Paliburg Development entered into the Disposal Agreement with P&R Holdings, pursuant to which, among others, the Group has agreed to dispose of the entire issued share capital of and shareholder's loans to the Target Companies (which hold the Sale Shares and the Sale CBs) to P&R Holdings.

Disposal Agreement

Date: 20 August 2013 (after trading hours)

Parties:

1. RHHL (as vendor of the entire issued share capital of and shareholder's loans to Fountain Sky, holder of the Sale Shares)
2. Regal BVI (as vendor of the entire issued share capital of and shareholder's loans to Valuegood, Time Crest and Well Mount, holders of the Sale CBs)

LETTER FROM THE BOARD

3. Paliburg Development (as vendor of the entire issued share capital of and shareholder's loans to the Paliburg Target Companies)
4. P&R Holdings (as purchaser)

RHHL, Regal BVI and the Target Companies are wholly-owned subsidiaries of the Company; while Paliburg Development and the Paliburg Target Companies are wholly-owned subsidiaries of Paliburg. P&R Holdings is owned by the Company (through RHIL, a wholly-owned subsidiary of the Company) and Paliburg (through Capital Merit, a wholly-owned subsidiary of Paliburg) as to 50% each. Paliburg is a substantial shareholder of the Company holding approximately 54.3% of the total issued Shares as at the Latest Practicable Date.

Assets to be disposed of under the Disposal:

1. The entire issued share capital of and shareholder's loans to Fountain Sky (which held 334,000,000 Cosmopolitan Shares, representing 2.8% equity interest in Cosmopolitan as at the Latest Practicable Date);
2. The entire issued share capital of and shareholder's loans to Valuegood (which holds the CB2010 in the principal amount of HK\$141.45 million, convertible into 3,536,250,000 Conversion Shares based on the prevailing conversion price of HK\$0.04 per Conversion Share);
3. The entire issued share capital of and shareholder's loans to Time Crest (which holds the CB2013(B) in the principal amount of HK\$100 million, convertible into 1,666,666,666 Conversion Shares based on the prevailing conversion price of HK\$0.06 per Conversion Share); and
4. The entire issued share capital of and shareholder's loans to Well Mount (which holds the CB2013(D) in the principal amount of HK\$100 million, convertible into 1,666,666,666 Conversion Shares based on the prevailing conversion price of HK\$0.06 per Conversion Share). The CB2013(D) was issued by the Cosmopolitan Group to Well Mount on 23 July 2013 at the principal amount of HK\$100 million, details of which were set out in the joint announcement of the Company, Century City and Paliburg dated 2 July 2013.

Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company.

LETTER FROM THE BOARD

- Consideration for the Disposal: The aggregate consideration for the Disposal is approximately HK\$504.25 million which represents HK\$0.07 per Sale Share/Conversion Share (arising from any conversion of the Sale CBs). The consideration per Sale Share/Conversion Share represents:
- (i) a premium of approximately 20.69% over the closing price per Cosmopolitan Share of HK\$0.058 quoted on the Stock Exchange on 20 August 2013, being the date of the Disposal Agreement and the Latest Practicable Date;
 - (ii) a premium of approximately 17.06% over the average closing price per Cosmopolitan Share for the last five trading days up to and including 19 August 2013 (being the last trading day immediately before the date of the Disposal Agreement) of HK\$0.0598; and
 - (iii) a premium of approximately 36.99% over the net asset value of Cosmopolitan per Cosmopolitan Share of approximately HK\$0.0511 based on the consolidated net asset value of Cosmopolitan as at 31 March 2013 and the number of issued Cosmopolitan Shares as at the Latest Practicable Date.
- The consideration was determined after arm's length negotiation between the parties taking into account the net book value and market price of Cosmopolitan Shares and the business prospects of Cosmopolitan.
- Payment terms for the Disposal: The consideration shall be payable in cash upon completion of the Disposal.
- Conditions precedent: The completion of the Disposal Agreement is conditional upon the satisfaction of the following conditions on or before 10 September 2013 (or such other date as the parties may agree):
- (i) the approval of the Independent Shareholders for the Disposal having been obtained;
 - (ii) the Facility Agreement having become unconditional; and
 - (iii) the Facility Agreement and the Paliburg Facility Agreement not being terminated or amended or modified in all material respects.

LETTER FROM THE BOARD

Completion: Completion of the Disposal shall take place not later than the next Business Day after the satisfaction of the above conditions precedent simultaneously with the completion of the Paliburg Disposal.

Terms of Sale CBs

Issuer: (i) CB2010: Fancy Gold Limited (“**Fancy Gold**”), a wholly-owned subsidiary of Cosmopolitan

(ii) CB2013(B): Apex Team Limited (“**Apex Team**”), a wholly-owned subsidiary of Cosmopolitan

(iii) CB2013(D): Apex Team

Principal amount: (i) CB2010: HK\$141.45 million

(ii) CB2013(B): HK\$100 million

(iii) CB2013(D): HK\$100 million

Conversion: The holder(s) of the Sale CBs may convert the outstanding principal amount of the Sale CBs into Conversion Shares at any time on or before 16 September 2013, being the date falling 14 days prior to the maturity date of the Sale CBs.

No conversion of the Sale CBs shall take place if as a result of such conversion, Cosmopolitan will not be able to meet the public float requirement under the Listing Rules.

Conversion price: (i) CB2010: HK\$0.04 per Conversion Share;

(ii) CB2013(B): HK\$0.06 per Conversion Share; and

(iii) CB2013(D): HK\$0.06 per Conversion Share;

subject to adjustment for share consolidation, share subdivision, reclassification of shares into other securities, capitalisation issues, capital distributions, rights issues, and certain other dilutive events, including a downward adjustment to the effect that in case new Cosmopolitan Shares (or securities convertible into new Cosmopolitan Shares) are issued for cash or non-cash consideration at a price per Cosmopolitan Share which is less than the respective prevailing conversion price, the relevant conversion price shall be adjusted downwards to such issue price (but such adjustment shall not be retroactive).

LETTER FROM THE BOARD

- Coupon rate: The Sale CBs bear no coupon.
- Maturity date: 30 September 2013. On the maturity date:
- (i) all of the remaining outstanding CB2010 will be redeemed by Fancy Gold at 137.03% of the outstanding principal amount of the CB2010;
 - (ii) all of the remaining outstanding CB2013(B) will be redeemed by Apex Team at 132.05% of the outstanding principal amount; and
 - (iii) all of the remaining outstanding CB2013(D) will be redeemed by Apex Team at 100.95% of the outstanding principal amount,
- all of which represent a yield-to-maturity of 5% per annum (compounded semi-annually).
- Voting: A holder of the Sale CBs will not be entitled to receive notice of, attend or vote at any general meeting of Cosmopolitan by reason only of it being a holder of the Sale CBs.
- Listing: The Sale CBs are not listed on the Stock Exchange. No application will be made for the listing of the Sale CBs on the Stock Exchange or any other stock exchange.
- Ranking: The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Sale CBs will rank pari passu in all respects with all other Cosmopolitan Shares outstanding at the respective date of conversion of the Sale CBs.
- Early redemption: Fancy Gold (in the case of the CB2010) or Apex Team (in the case of the CB2013(s)) has the right, at any time prior to the maturity date, if not more than 10% of the respective principal amounts of the CB2010 (of HK\$205 million) or CB2013s (of HK\$400 million) is still outstanding, by giving not less than 15 nor more than 30 business days' notice to the holders of the CB2010 or CB2013s to redeem the CB2010 or the CB2013s at an amount equal to the outstanding principal amounts of the CB2010 or CB2013s together with a redemption premium equal to 5% per annum (to be calculated on a semi-annual compound basis).
- Guarantor: Cosmopolitan

LETTER FROM THE BOARD

Paliburg Disposal

Pursuant to the Disposal Agreement, apart from the Disposal, Paliburg Development will dispose of the entire issued share capital of and shareholder's loans to the Paliburg Target Companies (which hold the Paliburg Sale Shares and the Paliburg Sale CBs) to P&R Holdings for an aggregate consideration of HK\$374.5 million, representing HK\$0.07 per Paliburg Sale Share/Conversion Share (arising from any conversion of the Paliburg Sale CBs). The completion of the Paliburg Disposal and the completion of the Disposal shall take place simultaneously. Details of the Paliburg Disposal were set out in the joint announcement of the Company, Century City and Paliburg dated 20 August 2013.

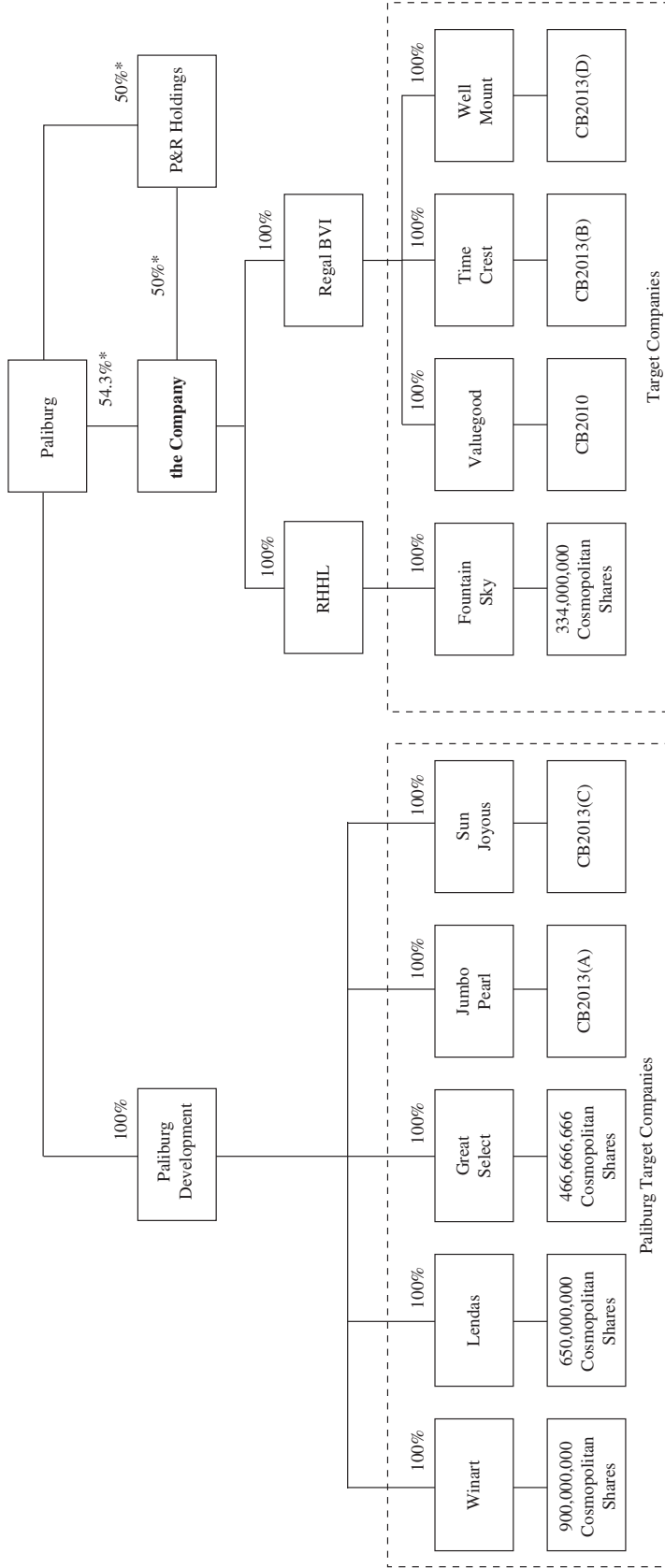
P&R Holdings' business scope

On 20 August 2013, the Company, RHIL, Paliburg and Capital Merit entered into a supplemental agreement to the shareholders' agreement dated 17 March 2011 between the parties in respect of P&R Holdings to, among others, extend P&R Holdings' business scope of development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities to include the acquisition or making of any investments (directly or indirectly) in the securities of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financing activities where the underlying assets or security comprise real estate properties.

LETTER FROM THE BOARD

RELEVANT GROUP CHARTS BEFORE AND AFTER THE TRANSACTIONS

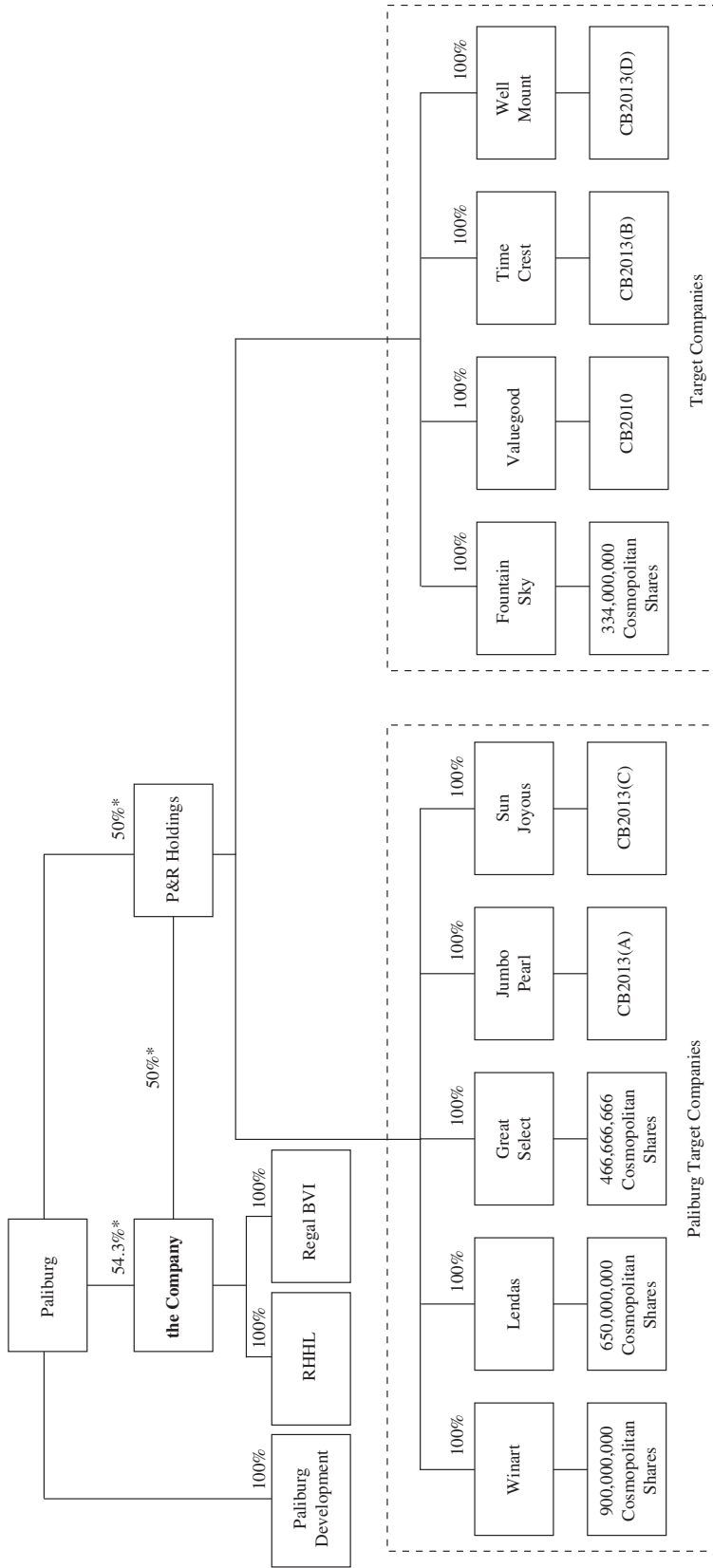
Before the Disposal and the Paliburg Disposal as at the Latest Practicable Date



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

LETTER FROM THE BOARD

After the Disposal and the Paliburg Disposal



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

LETTER FROM THE BOARD

FINANCIAL ASSISTANCE

On 20 August 2013 (after trading hours), RHIL and P&R Holdings entered into the Facility Agreement, pursuant to which the Group has agreed to provide the Financial Assistance amounting up to HK\$1,000 million to P&R Holdings in proportion to the Group's equity interest in P&R Holdings. On 20 August 2013 (after trading hours), Capital Merit and P&R Holdings also entered into the Paliburg Facility Agreement, pursuant to which the Paliburg Group has agreed to provide a facility to P&R Holdings on the same terms as that of the Financial Assistance. The respective facilities to P&R Holdings by the Group and the Paliburg Group are inter-conditional. P&R Holdings shall draw down and repay the facilities for the same amounts from each of the Group and the Paliburg Group.

Facility Agreement

Date:	20 August 2013 (after trading hours)
Parties:	<ol style="list-style-type: none">1. RHIL (as lender)2. P&R Holdings (as borrower)
Facility:	A revolving credit facility amounting up to HK\$1,000 million to be provided by the Group in proportion to its equity interest in P&R Holdings.
Interest:	Advances made under the Facility Agreement are subject to interest at an annual rate equivalent to the Hong Kong Dollar Prime Lending Rate. Advances made under the Paliburg Facility Agreement are also subject to interest at the same rate and on the same terms as those made under the Facility Agreement.
Other terms:	Unsecured and repayment on demand of the lender
Condition precedent:	<p>The obligation of RHIL to grant the facility under the Facility Agreement is conditional upon obtaining the approval of the Independent Shareholders on or before 10 September 2013 (or such other date as the parties may agree).</p> <p>The facility under the Facility Agreement shall be available on the Business Day after the satisfaction of the above condition precedent.</p>

As at the Latest Practicable Date, the shareholder's loans provided by each of the Group and the Paliburg Group to P&R Holdings amounted to approximately HK\$628.2 million after taking into account P&R Holdings' distribution of HK\$974 million to each of the Group and the Paliburg Group (i.e. HK\$1,948 million in total) following the receipts by P&R Holdings of the deposit for the disposal of a hotel located in Sheung Wan and the option fee and refundable cash collateral for the granting of an option to Regal REIT in respect of a hotel located in North Point (details of which have been set out in the joint announcement of the Company, Century City and Paliburg dated 28 June 2013). The purpose of the Financial Assistance and the facility granted under the Paliburg Facility Agreement is to provide additional working capital to P&R Holdings to fund the business undertakings as permitted

LETTER FROM THE BOARD

under the business scope of P&R Holdings including the acquisition of other real estate projects or related investments and development of existing property projects and the payment of the considerations for the Disposal and the Paliburg Disposal. The terms (including the interest rate) of the Financial Assistance and the facility granted under the Paliburg Facility Agreement were determined after arm's length negotiation between the respective parties taking into account the aforesaid purpose of the facilities and the cost of capital of the Group. Given that the Group and the Paliburg Group (the joint venture partners of P&R Holdings) will provide respective financial assistance to P&R Holdings on equal terms in the amounts proportional to their respective equity interests in P&R Holdings, the Company considers that the terms of the Financial Assistance are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE TARGET COMPANIES

Fountain Sky holds the Sale Shares while Valuegood, Time Crest and Well Mount hold the Sale CBs. The only assets of the Target Companies as at 31 July 2013 were the Sale Shares and the Sale CBs (as the case may be) while all of the Target Companies' liabilities comprise the relevant shareholder's loans only. The profit/(loss) and net assets of the Target Companies are set out below:

	For the year ended		As at 31 July 2013	
	31 December			
	2011	2012		
	Loss	Loss		Net assets
	(before and	(before and	Net assets/	before
	after tax)	after tax)	(liabilities)	shareholder's
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	loans⁽¹⁾
				<i>HK\$'million</i>
Fountain Sky	44.8	0.4	(23.9)	19.7
Valuegood	309.2	42.9	41.3	220.6
Time Crest	173.3	26.8	34.0	134.3
Well Mount	189.2	19.0	11.4	111.4

Note:

⁽¹⁾ The shareholder's loans to Fountain Sky, Valuegood, Time Crest and Well Mount amounted to approximately HK\$43.6 million, HK\$179.3 million, HK\$100.3 million and HK\$100.0 million respectively as at 31 July 2013 and as at the Latest Practicable Date.

INFORMATION ON COSMOPOLITAN

The Cosmopolitan Group is principally engaged in property investment and development, securities investment and other investments. For the year ended 31 March 2012, the Cosmopolitan Group reported profits before and after tax of approximately HK\$504.3 million and HK\$525.3 million respectively. For the year ended 31 March 2013, the Cosmopolitan Group reported profits before and after tax of HK\$29 million. The net assets of the Cosmopolitan Group as at 31 March 2013, as reported by Cosmopolitan, were approximately HK\$602.7 million.

LETTER FROM THE BOARD

Shareholding structure of Cosmopolitan

As at the Latest Practicable Date, the Group held (i) approximately 2.8% of the issued share capital of Cosmopolitan; (ii) the CB2010 in the principal amount of HK\$141.45 million; (iii) the CB2013(B) in the principal amount of HK\$100 million; and (iv) the CB2013(D) in the principal amount of HK\$100 million; while the Paliburg Group held (i) approximately 17.1% of the issued share capital of Cosmopolitan; (ii) the CB2013(A) in the principal amount of HK\$100 million; and (iii) the CB2013(C) in the principal amount of HK\$100 million. Set out below for illustration purposes are the shareholding structure of Cosmopolitan as at the Latest Practicable Date and the shareholding structures in the following scenarios:

	As at the Latest Practicable Date		Upon completion of the Disposal and the Paliburg Disposal		Assuming completion of the Disposal and the Paliburg Disposal and conversions in full of the CB2010, the CB2013(C) and the CB2013(D) and partial conversion of the CB2013(A) to the extent that public float is maintained ^{Notes 1 & 2}	
	No. of Cosmopolitan Shares	%	No. of Cosmopolitan Shares	%	No. of Cosmopolitan Shares	%
The Paliburg Group	2,016,666,666	17.11	—	—	—	—
The Paliburg Group (through P&R Holdings)	—	—	2,350,666,666	19.94	10,688,583,331	53.12
The Group	<u>334,000,000</u>	<u>2.83</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	2,350,666,666	19.94	2,350,666,666	19.94	10,688,583,331	53.12
Giant Sino Group Limited	4,403,576,090	37.37	4,403,576,090	37.37	4,403,576,090	21.88
Culture Landmark Investment Limited	1,446,064,745	12.27	1,446,064,745	12.27	1,446,064,745	7.19
Other shareholders	<u>3,584,823,450</u>	<u>30.42</u>	<u>3,584,823,450</u>	<u>30.42</u>	<u>3,584,823,450</u>	<u>17.81</u>
Total	<u><u>11,785,130,951</u></u>	<u><u>100.00</u></u>	<u><u>11,785,130,951</u></u>	<u><u>100.00</u></u>	<u><u>20,123,047,616</u></u>	<u><u>100.00</u></u>

Notes:

- Under the respective terms of the CB2010 and the CB2013s, no conversion of the CB2010s or CB2013s (as the case may be) shall take place if after such conversion, Cosmopolitan will not be able to meet the public float requirement of the Listing Rules. The CB2010 and the CB2013s are not subject to any restriction that disallows them to be converted in case that a mandatory general offer will be triggered under the Takeovers Code as a result of the conversion. As at the Latest Practicable Date, none of the Cosmopolitan CBs have been converted by the Group or the Paliburg Group. Following completion of the Disposal and the Paliburg Disposal, P&R Holdings will consider its position on the Cosmopolitan CBs, in particular whether or not to convert the Cosmopolitan CBs, whether in whole or in part, which will be based on its assessment of, among others, the financial status and business prospects of the Cosmopolitan Group and general market conditions. As stated in the announcement dated 20 August 2013 jointly issued by the Company, Century City and Paliburg, the Century City Group and the Paliburg Group will comply with the relevant requirements of the Listing Rules and the Takeovers Code if any of the CB2010 and/or the CB2013s is converted.
- On the basis that the CB2013(A) with a principal amount of HK\$88.1 million are converted by P&R Holdings and none of the CB2013(B) are converted by P&R Holdings.

LETTER FROM THE BOARD

Other relationships between the Group and the Cosmopolitan Group

Apart from the Group's and the Paliburg Group's interests in the Cosmopolitan Shares and the Cosmopolitan CBs as stated above, the Group and the Cosmopolitan Group each owns 50% of the equity interest in a joint venture which in turn holds 30% equity interests in the project companies undertaking a property development project in Chengdu, Sichuan Province, the PRC. The remaining 70% equity interests in such project companies are held by P&R Holdings. On 26 June 2013, the Paliburg Group provided a revolving loan facility to the Cosmopolitan Group. On 27 June 2013, among other transactions, (i) the aforesaid joint venture and P&R Holdings respectively entered into conditional agreements to dispose of their entire interests in those project companies to the Cosmopolitan Group; (ii) the Group entered into a conditional agreement to dispose of companies holding a land parcel in Tianjin, the PRC to the Cosmopolitan Group; and (iii) P&R Holdings entered into a conditional agreement to acquire certain properties in Hong Kong from the Cosmopolitan Group. Further information regarding the aforesaid transactions was set out in the joint announcement of the Company, Century City and Paliburg dated 27 June 2013.

Mr. Ng Kwai Kai, Kenneth, an executive director of the Company, Century City (the listed ultimate holding company of the Company) and Paliburg (the immediate listed holding company of the Company), is a non-executive director of Cosmopolitan. Mr. Leung So Po, Kelvin, an executive director of Century City, is a non-executive director of Cosmopolitan. Mr. Wong Po Man, Kenneth, an executive director of Paliburg, is a non-executive director of Cosmopolitan. Based on the latest available public information, Mr. Lam Kwing Wai, Alvin Leslie, a director of a wholly-owned subsidiary of the Company, was interested in approximately 7.03% of the issued ordinary share capital of Cosmopolitan as at the Latest Practicable Date.

REASONS FOR THE TRANSACTIONS

The Group is principally engaged in hotel ownership (through its 74.6%-owned subsidiary Regal REIT), management and operations. It is also engaged in property development and investment, as well as asset management of Regal REIT and securities and other investments.

P&R Holdings is engaged in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities including the acquisition or making of any investments (directly or indirectly) in the securities of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financing activities where the underlying assets or security comprise real estate properties. P&R Holdings is owned as to 50% by each of the Group and the Paliburg Group. Paliburg together with its subsidiaries are principally engaged in property investment and development, construction and building related businesses, securities and other investments, (through the Group) hotel operation and management, and asset management of Regal REIT, and (through Regal REIT) hotel ownership.

The Group and the Paliburg Group in aggregate hold approximately 2,350.7 million Cosmopolitan Shares and the Cosmopolitan CBs. The Disposal and the Paliburg Disposal will enable the Group and the Paliburg Group to rationalise their interests in Cosmopolitan, so that they will be consolidated into one strategic block to be held by P&R Holdings, a 50-50 joint venture of the Group and the Paliburg Group. The consideration for the Disposal was determined with reference to the net

LETTER FROM THE BOARD

book value and market price of Cosmopolitan Shares and the business prospects of Cosmopolitan. The Financial Assistance (together with the facility granted under the Paliburg Facility Agreement) may be utilised by P&R Holdings as additional working capital to fund the business undertakings as permitted under the business scope of P&R Holdings including the acquisition of other real estate projects or related investments and development of existing property projects and the payment of the considerations for the Disposal and the Paliburg Disposal respectively.

The Directors (including the members of the Independent Board Committee who have taken advice from Ample Capital in respect of the Disposal) consider that the terms of the Disposal and the Financial Assistance are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

FINANCIAL EFFECTS OF THE TRANSACTIONS

The Target Companies are wholly-owned subsidiaries of the Company and are consolidated on a line-by-line basis in the Company's consolidated financial statements. Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company and will be wholly owned by P&R Holdings. P&R Holdings is a jointly controlled entity owned as to 50% by each of the Group and the Paliburg Group. The Group accounted for P&R Holdings using the equity method of accounting and accordingly the Target Companies will also be equity accounted for by the Group after completion of the Disposal. Any difference between (i) the consideration receivable by the Group from P&R Holdings pursuant to the Disposal and (ii) the aggregate fair values of the Sale Shares and the Sale CBs as at the completion date of the Disposal shall be recognised by the Group as gain or loss arising from the Disposal. For illustrative purposes, based on the aggregate fair values of the Sale Shares and Sale CBs as at 31 July 2013, the Group would record a gain of approximately HK\$18.3 million arising from the Disposal. On the other hand, for illustrative purposes only, if the Disposal and the Paliburg Disposal were completed on 31 July 2013, P&R Holdings (a 50-50 joint venture of the Company and Paliburg) would record a loss of approximately HK\$28.1 million based on the considerations for the Disposal and the Paliburg Disposal and the aggregate fair values of the Sale Shares, the Sale CBs, the Paliburg Sale Shares and the Paliburg Sale CBs as at 31 July 2013. Upon completion of the Paliburg Disposal (which will take place simultaneously with the completion of the Disposal), P&R Holdings will also hold the Paliburg Sale Shares and the Paliburg Sale CBs. The Group intends to use the proceeds from the Disposal for working capital purposes.

LETTER FROM THE BOARD

The Financial Assistance is to be provided by the Group to P&R Holdings on the basis that (1) the Paliburg Group (being the other 50% shareholder of P&R Holdings) will also provide a facility to P&R Holdings at the same terms; and (2) P&R Holdings will only draw down the Financial Assistance from the Group if it is going to draw down the same amount from the facility to be provided by the Paliburg Group. As the Financial Assistance is to be provided in proportion to the Group's shareholding interest in P&R Holdings and the Paliburg Group will also provide the same amount of financial assistance to P&R Holdings at the same terms, the Company considers that the Financial Assistance will not have any material adverse financial effect on the Group. The Financial Assistance will be funded by the Group using its internal resources. P&R Holdings is accounted for by the Company as a jointly controlled entity using equity method of accounting. Any Financial Assistance will be recorded by the Company in its consolidated balance sheet as loans to a jointly controlled entity. The Group will accrue interest income from the Financial Assistance at an annual rate equivalent to the Hong Kong Dollar Prime Lending Rate.

LISTING RULES IMPLICATION

Paliburg, through its wholly-owned subsidiaries, held approximately 54.3% of the issued share capital of the Company as at the Latest Practicable Date. P&R Holdings is owned as to 50% by RHIL, a wholly-owned subsidiary of the Company, and 50% by Capital Merit, a wholly-owned subsidiary of Paliburg. P&R Holdings is therefore a connected person of the Company. Regal BVI, RHHL and the Target Companies are all wholly-owned subsidiaries of the Company.

Based on the applicable percentage ratios, the Disposal constitutes a discloseable transaction and a connected transaction for the Company subject to Independent Shareholders' approval under the Listing Rules. The Company has established the Independent Board Committee, comprising Ms. Alice KAN Lai Kuen and Professor Japhet Sebastian LAW (both being independent non-executive Directors), to advise the Independent Shareholders in respect of the Disposal. As Mr. NG Siu Chan and Mr. WONG Chi Keung, both being independent non-executive Directors, are also independent non-executive directors of Paliburg which is the immediate listed holding company of P&R Holdings, they are not members of the Independent Board Committee.

As the Financial Assistance is on normal commercial terms and in proportion to the Group's equity interest in P&R Holdings, it is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(3) of the Listing Rules. Based on the applicable percentage ratios, the Financial Assistance constitutes a major transaction for the Company under Chapter 14 of the Listing Rules subject to shareholders' approval. As the Paliburg Group has interests in P&R Holdings, Mr. LO Yuk Sui, Century City, Paliburg and their respective associates, in aggregate holding, and entitled to exercise control over the voting rights in respect of, 524,136,161 Shares (representing approximately 54.4% of the issued Shares) as at the Latest Practicable Date, will abstain from voting at the SGM. Apart from Mr. LO Yuk Sui, Century City, Paliburg and their respective associates, as at the Latest Practicable Date, no other Shareholders had a material interest in the Disposal and the Financial Assistance.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

A notice convening the SGM at which ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Disposal and the Financial Assistance, is contained on pages 46 to 48 of this circular.

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal and the Financial Assistance are on normal commercial terms, fair and reasonable and in the interests of the Shareholders and the Company as a whole. The Directors recommend all the Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the SGM to approve the Financial Assistance and the Disposal. The Independent Board Committee recommends all the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Disposal set out in the notice of the SGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



22 August 2013

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF TARGET COMPANIES HOLDING
SECURITIES OF COSMOPOLITAN GROUP**

We refer to the circular of the Company dated 22 August 2013 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Disposal. Ample Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out on pages 23 to 35 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Disposal and taking into account the independent advice of Ample Capital set out in its letter on pages 23 to 35 of the Circular and the relevant information contained in the letter from the Board, we consider that the Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Yours faithfully,
Independent Board Committee

Alice KAN Lai Kuen
Independent non-executive Director

Japhet Sebastian LAW
Independent non-executive Director

LETTER FROM AMPLE CAPITAL

The following is the text of the letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

AmCap
Ample Capital Limited
豐盛融資有限公司

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

22 August 2013

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF TARGET COMPANIES HOLDING SECURITIES OF COSMOPOLITAN GROUP

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the particulars of which have been set out in a circular to the Shareholders dated 22 August 2013 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendations as to whether the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned; (ii) give our recommendations as to whether the Disposal is in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the SGM. Details of the reasons for entering into the Disposal Agreement are set out in the section headed “Letter from the Board” in the Circular (the “**Board Letter**”).

LETTER FROM AMPLE CAPITAL

Paliburg, through its wholly-owned subsidiaries, held approximately 54.3% of the issued share capital of the Company as at the Latest Practicable Date. P&R Holdings is owned as to 50% by RHIL, a wholly-owned subsidiary of the Company, and 50% by Capital Merit, a wholly-owned subsidiary of Paliburg. P&R Holdings is therefore a connected person of the Company. Regal BVI, RHHL and the Target Companies are all wholly-owned subsidiaries of the Company.

Based on the applicable percentage ratios, the Disposal constitutes a discloseable transaction and a connected transactions for the Company subject to Independent Shareholders' approval under the Listing Rules. The Company has established the Independent Board Committee, comprising Ms. Alice KAN Lai Kuen and Professor Japhet Sebastian LAW (both being independent non-executive Directors), to advise the Independent Shareholders in respect of the Disposal. As Mr. NG Siu Chan and Mr. WONG Chi Keung, both being independent non-executive Directors, are also independent non-executive directors of Paliburg which is the immediate listed holding Company of P&R Holdings, they are not members of the Independent Board Committee.

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Disposal.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

LETTER FROM AMPLE CAPITAL

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in the Disposal, we have taken into consideration the following factors:

1. Information on the Group

The Group is principally engaged in hotel ownership (through its 74.6%-owned subsidiary, Regal REIT), management and operation. It is also engaged in property development and investment, as well as asset management of Regal REIT and securities and other investments. Certain summary financial information of the Group as extracted from the Company's latest published financial statements, i.e. its annual report for the year ended 31 December 2012 (the "Regal Annual Report"), is set out below.

	Year ended	
	31 December	
	2012	2011
	<i>HK\$' million</i>	<i>HK\$' million</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	2,330.9	2,037.2
Profit attributable to owners of the Company	536.3	107.9
Total assets (as at period end)	21,795.9	19,860.8
Total liabilities (as at period end)	8,648.3	6,857.7
Net assets attributable to owners of the Company (as at period end)	11,735.2	11,542.8

During the year ended 31 December 2012, the Company recorded audited consolidated revenue of approximately HK\$2,330.9 million, representing an approximately 14.4% increase over the audited consolidated revenue of approximately HK\$2,037.2 million generated in the year ended 31 December 2011. Furthermore, the Company recorded audited consolidated profit attributable to owners of the Company of approximately HK\$536.3 million for the year ended 31 December 2012 compared with an audited consolidated profit attributable to owners of the Company of approximately HK\$107.9 million for the year ended 31 December 2011, representing an increase of approximately 397.0%. As at 31 December 2012, the Company had audited consolidated total assets, total liabilities and net assets attributable to owners of the Company of approximately HK\$21,795.9 million, HK\$8,648.3 million and HK\$11,735.2 million, respectively.

LETTER FROM AMPLE CAPITAL

2. Information of the Cosmopolitan Group

As per the Board Letter, the Cosmopolitan Group is principally engaged in property investment and development, securities investments and other investments. Certain summary financial information of the Cosmopolitan Group as extracted from Cosmopolitan's latest published financial statements, i.e. its annual report for the year ended 31 March 2013 (the "Cosmopolitan Annual Report"), is set out below.

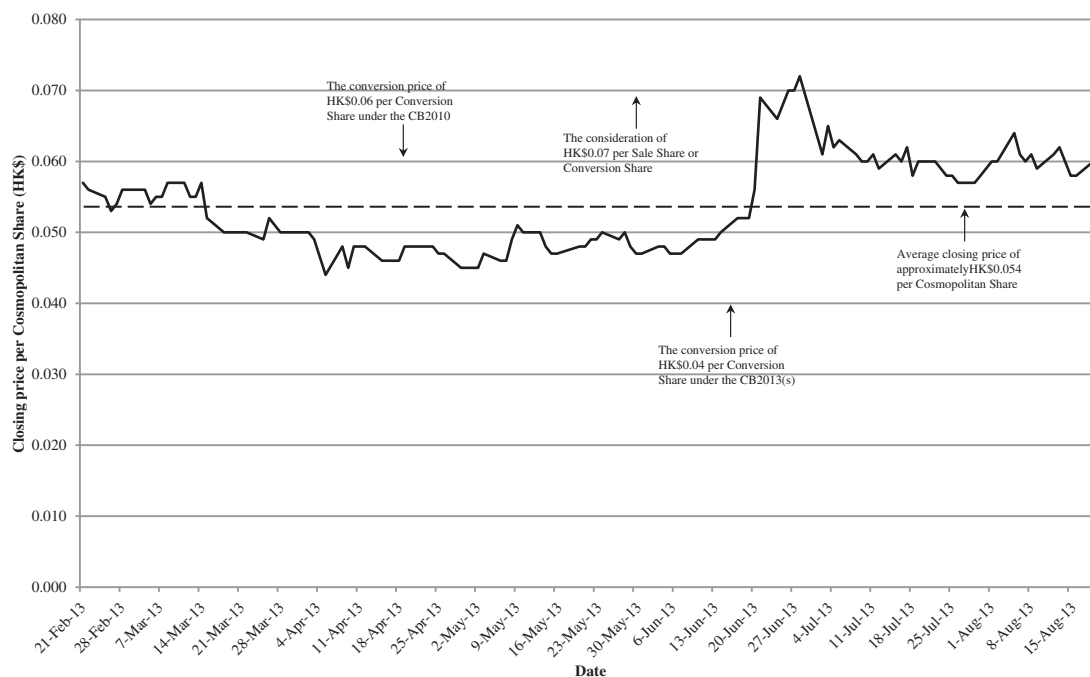
	Year ended 31 March	
	2013 HK\$'000 (audited)	2012 HK\$'000 (audited)
Turnover	179,402	78,386
Profit for the year	29,079	525,339
Total assets	1,077,367	1,076,933
Total liabilities	474,648	504,242
Net assets attributable to owners of Cosmopolitan	602,693	573,079

During the year ended 31 March 2013, the Cosmopolitan Group recorded audited consolidated turnover of approximately HK\$179,402,000, representing an approximately 128.9% increase from the audited consolidated turnover of approximately HK\$78,386,000 recorded during the year ended 31 March 2012. In addition, the Cosmopolitan Group recorded audited profit of approximately HK\$29,079,000 during the year ended 31 March 2013, representing an approximately 94.5% decrease from the audited profit of approximately HK\$525,339,000 recorded during the year ended 31 March 2012. The Cosmopolitan Annual Report attributes the increase in turnover to the expanded activities in securities trading during the year. In addition, the Cosmopolitan Annual Report also states that the audited consolidated profit for the year ended 31 March 2013 included a gain of HK\$42,016,000 (2012: HK\$152,558,000) arising from the change in fair value of the subscription options granted by the Cosmopolitan Group in 2008 to the holders to subscribe for additional convertible bonds in an aggregate principal amount of up to HK\$200,000,000. Moreover, it is stated in the Cosmopolitan Annual Report that for the year ended 31 March 2012, the profit attained included the Cosmopolitan Group's attributable share of a profit of HK\$527,678,000 recognised by the jointly controlled entities of the Cosmopolitan Group from a disposal transaction. As at 31 March 2013, the Cosmopolitan Group had audited consolidated total assets, total liabilities and net assets attributable to owners of Cosmopolitan of approximately HK\$1,077,367,000, HK\$474,648,000 and HK\$602,693,000 respectively.

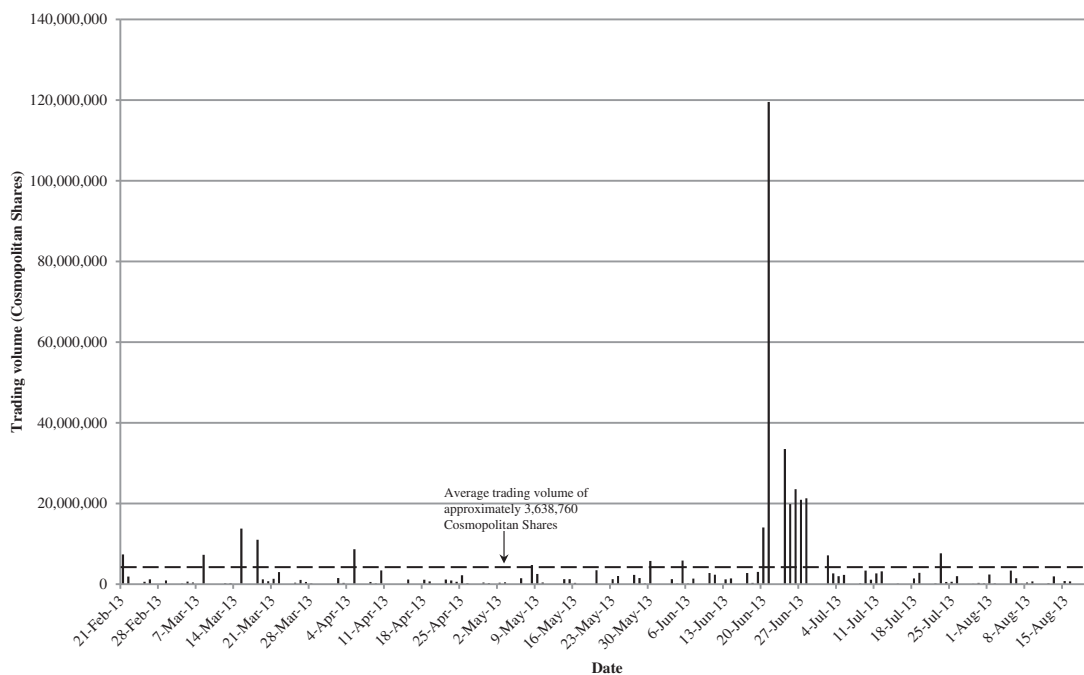
LETTER FROM AMPLE CAPITAL

Set out below are two charts setting out (i) the closing price of the Cosmopolitan Shares on the Stock Exchange; and (ii) daily trading volume of the Cosmopolitan Shares on the Stock Exchange, during the 6-month period ended 20 August 2013 (the “**Review Period**”), i.e. the date of the Disposal Agreement.

Closing price of the Cosmopolitan Shares on the Stock Exchange



Daily trading volume of the Cosmopolitan Shares on the Stock Exchange



Source: <http://www.hkex.com.hk/>

LETTER FROM AMPLE CAPITAL

As illustrated above, the Cosmopolitan Shares closed on the Stock Exchange within a range of a low of HK\$0.044 per Cosmopolitan Share on 5 April 2013 and a high of HK\$0.072 per Cosmopolitan Share on 28 June 2013 during the Review Period. The average closing price per Cosmopolitan Share was approximately HK\$0.054 during the Review Period. It is noted that during the Review Period, the consideration of the Disposal of HK\$0.07 per Sale Share/Conversion Share was at the high end of the closing prices of the Cosmopolitan Shares. On the date of the Disposal Agreement, the closing price on the Stock Exchange was HK\$0.058 per Cosmopolitan Share.

Also illustrated above is the daily trading volume of the Cosmopolitan Shares on the Stock Exchange. The average daily trading volume during the Review Period was approximately 3,638,760 Cosmopolitan Shares, representing approximately 0.03% of Cosmopolitan's issued share capital of 11,785,130,951 as at the Latest Practicable Date. The trading volume of the Cosmopolitan Shares on the Stock Exchange appeared to be relatively thin during the Review Period. Having considered the above, we consider that the consideration of the Disposal of HK\$0.07 per Sale Share/Conversion Share is beneficial to the Group as (i) it is set at a premium over the closing price per Cosmopolitan Share as at the date of the Disposal Agreement; (ii) it is at the high end of the closing prices of the Cosmopolitan Shares during the Review Period; and (iii) the thin trading volume of the Cosmopolitan Shares during the Review Period would normally suggest a discount attached to the consideration per Sale Share/Conversion Share instead of a premium as per the terms of the Disposal.

3. Information on the Target Companies

As stated in the Board Letter, Fountain Sky holds the Sale Shares while Valuegood, Time Crest and Well Mount (in aggregate) hold the Sale CBs. The only assets of the Target Companies as at 31 July 2013 were the Sale Shares and the Sale CBs (as the case may be) while all of the Target Companies' liabilities comprise the relevant shareholder's loans only. The profit and loss and net assets of the Target Companies as extracted from the Board Letter are set out below:

	For the year ended		As at 31 July 2013	
	2011	2012	Net assets/	shareholder's
	Loss	Loss	(liabilities)	loans¹
	(before and	(before and	HK\$'million	HK\$'million
	after tax)	after tax)		
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Fountain Sky	44.8	0.4	(23.9)	19.7
Valuegood	309.2	42.9	41.3	220.6
Time Crest	173.3	26.8	34.0	134.3
Well Mount	189.2	19.0	11.4	111.4

LETTER FROM AMPLE CAPITAL

Note:

1. The shareholder's loans to Fountain Sky, Valuegood, Time Crest and Well Mount amounted to approximately HK\$43.6 million, HK\$179.3 million, HK\$100.3 million and HK\$100.0 million respectively as at 31 July 2013 and as at the Latest Practicable Date.

4. The Disposal

4.1 *Reasons for the Disposal*

As stated in the Board Letter, the Group and the Paliburg Group in aggregate hold approximately 2,350.7 million Cosmopolitan Shares and the Cosmopolitan CBs. The Disposal and the Paliburg Disposal will enable the Group and the Paliburg Group to rationalise their interests in Cosmopolitan, so that they will be consolidated into one strategic block to be held by P&R Holdings, a 50-50 joint venture of the Group and the Paliburg Group. The consideration for the Disposal was determined with reference to the net book value and market price of Cosmopolitan Shares and the business prospects of Cosmopolitan.

With regards to the prospects of Cosmopolitan, we note from the Cosmopolitan Annual Report that the Cosmopolitan Group is holding a positive view on the medium to long term prospects of the property development sector in the PRC and plans to focus its property investment and development business on the PRC market. We concur with the Group's management that Cosmopolitan's future prospects is one of the reasonable grounds in determining the consideration for the Disposal.

In our discussion with the Group's management, we understand that if (i) the Sale Shares and the Sale CBs are not sold to P&R Holdings; and (ii) the conversion rights under the Sale CBs are exercised by the Group in full, the Group would not be able to gain unilateral control over Cosmopolitan and would likely end up in some kind of joint control situation with Paliburg. Under the Disposal and the Paliburg Disposal, all of the Cosmopolitan securities held by the Group and the Paliburg Group respectively are to be sold to P&R Holdings. If P&R Holdings were to convert all Cosmopolitan CBs, the controlling interest in Cosmopolitan will be consolidated into P&R Holdings, the 50%-owned jointly controlled entity of the Group, which would allow the Group to have a higher degree of control and influence over Cosmopolitan.

4.2 *The Disposal Agreement*

On 20 August 2013 (after trading hours), Regal BVI, RHHL and Paliburg Development entered into the Disposal Agreement with P&R Holdings, pursuant to which, among others, the Group has agreed to dispose of the entire issued share capital of and shareholder's loans to the Target Companies (which hold the Sale Shares and the Sale CBs) to P&R Holdings.

LETTER FROM AMPLE CAPITAL

Principal terms of the Disposal Agreement in relation to the Disposal is set out below.

Date: 20 August 2013 (after trading hours)

- Parties:
1. RHHL (as vendor of the entire issued share capital of and shareholder's loans to Fountain Sky, holder of the Sale Shares)
 2. Regal BVI (as vendor of the entire issued share capital of and shareholder's loans to Valuegood, Time Crest and Well Mount, holders of the Sale CBs)
 3. Paliburg Development (as vendor of the entire issued share capital of and shareholder's loans to the Paliburg Target Companies)
 4. P&R Holdings (as purchaser)

RHHL, Regal BVI and the Target Companies are wholly-owned subsidiaries of the Company; while Paliburg Development and the Paliburg Target Companies are wholly-owned subsidiaries of Paliburg. P&R Holdings is owned by the Company (through RHIL, a wholly-owned subsidiary of the Company) and Paliburg (through Capital Merit, a wholly-owned subsidiary of Paliburg) as to 50% each. Paliburg is a substantial shareholder of the Company holding approximately 54.3% of the total issued Shares as at the Latest Practicable Date.

- Assets to be disposed of under the Disposal:
1. the entire issued share capital of and shareholder's loans to Fountain Sky (which held 334,000,000 Cosmopolitan Shares representing 2.8% equity interest in Cosmopolitan as at the Latest Practicable Date) at a consideration of HK\$23,380,000;
 2. the entire issued share capital of and shareholder's loans to Valuegood (which holds the CB2010 in the principal amount of HK\$141.45 million convertible into 3,536,250,000 Conversion Shares based on the prevailing conversion price of HK\$0.04 per Conversion Share) at a consideration of HK\$247,537,500;
 3. the entire issued share capital and shareholder's loans to Time Crest (which holds the CB2013(B) in the principal amount of HK\$100 million convertible into 1,666,666,666 Conversion Shares based on the prevailing conversion of HK\$0.06 per Conversion Share) at a consideration of HK\$116,666,666.62; and

LETTER FROM AMPLE CAPITAL

4. the entire issued share capital of and shareholder's loans to Well Mount (which holds the CB2013(D) in the principal amount of HK\$100 million convertible into 1,666,666,666 Conversion Shares based on the prevailing conversion price of HK\$0.06 per Conversion Share) at a consideration of HK\$166,666,666.62. The CB2013(D) was issued by the Cosmopolitan Group to Well Mount on 23 July 2013 at the principal amount of HK\$100 million.

Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company.

Consideration for
the Disposal:

The aggregate consideration (the "**Consideration**") for the Disposal is approximately HK\$504.25 million which represents HK\$0.07 per Sale Share/Conversion Share (arising from any conversion of the Sale CBs). The consideration per Sale Share/Conversion Share represents:

- (i) a premium of approximately 20.69% over the closing price per Cosmopolitan Share of HK\$0.058 quoted on the Stock Exchange on 20 August 2013, being the date of the Disposal Agreement and the Latest Practicable Date;
- (ii) a premium of approximately 17.06% over the average closing price per Cosmopolitan Share for the last five trading days up to and including 19 August 2013 (being the last trading day immediately before the date of the Disposal Agreement) of HK\$0.0598; and
- (iii) a premium of approximately 36.99% over the net asset value of Cosmopolitan per Cosmopolitan Share of approximately HK\$0.0511 based on the consolidated net asset value of Cosmopolitan as at 31 March 2013 and the number of issued Cosmopolitan Shares as at the Latest Practicable Date.

The consideration was determined after arm's length negotiation between the parties taking into account the net book value and market price of Cosmopolitan Shares and the business prospects of Cosmopolitan.

Payment terms for
the Disposal:

The consideration shall be payable in cash upon completion of the Disposal.

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We note from the Board Letter that under the Facility Agreement, the Group has agreed to provide the Financial Assistance amounting up to HK\$1,000 million to P&R Holdings in proportion to the Group's equity interest in P&R Holdings. Furthermore, the Paliburg Group also agreed to provide a facility to P&R Holdings on the same terms as that of the Financial Assistance under the Paliburg Facility Agreement. The purpose of the Financial Assistance and the facility granted under the Paliburg Facility Agreement is to provide working capital funding to P&R Holdings to fund, amongst others, the payment of the considerations for the Disposal and the Paliburg Disposal.

4.3 *The Consideration*

To assess the fairness and reasonableness of the Consideration, we have made the following analyses.

4.3.1 *Comparison of the Consideration against the realizable value to the Group assuming the Sale Shares are disposed in the market and the Sale CBs are redeemed by the Cosmopolitan Group upon their respective maturities*

For illustrative purpose only, a comparison of the Consideration against the realizable value to the Group is set out below.

	Realizable value to the Group HK\$'000	Consideration HK\$'000	Surplus/ (deficit) of the Consideration over the realizable value HK\$'000
Sale Shares	19,372 ^{1,5}	23,380	4,008
CB2010	193,829 ²	247,538	53,709
CB2013(B)	132,050 ³	116,667	(15,383)
CB2013(D)	<u>100,950⁴</u>	<u>116,667</u>	<u>15,717</u>
Total	<u><u>446,201</u></u>	<u><u>504,252</u></u>	<u><u>58,051</u></u>

Notes:

1. The realizable value of the Sale Shares held by Fountain Sky is calculated on the assumption that the 334,000,000 Sale Shares are disposed in the market at the closing price of HK\$0.058 per Cosmopolitan Share on 20 August 2013, being the date of the Disposal Agreement.
2. The realizable value of the CB2010 held by Valuegood is calculated based on the CB2010's principal amount of HK\$141.45 million and CB2010's redemption amount at 137.03% of the outstanding principal.
3. The realizable value of the CB2013(B) held by Time Crest is calculated based on the CB2013(B)'s principal amount of HK\$100 million and CB2013(B)'s redemption amount at 132.05% of the outstanding principal.

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4. The realizable value of the CB2013(D) held by Well Mount is calculated based on the CB2013(D)'s principal amount of HK\$100 million and CB2013(D)'s redemption amount at 100.95% of the outstanding principal.
5. This figure was arrived at based on the assumptions that (i) all of the Sale Shares can be freely disposed on the Stock Exchange at the closing price of HK\$0.058 per Cosmopolitan Share on 20 August 2013, being the date of the Disposal Agreement; and (ii) such disposal would not create any downward pressure on the market price of the Cosmopolitan Share.

As demonstrated above, the Consideration receivable by the Group under the Disposal represents a total surplus of approximately HK\$58,051,000 over the realizable values of the Sale Shares, CB2010, CB2013(B) and CB2013(D) if the Sale Shares are disposed in the market and the Sale CBs are redeemed by the Cosmopolitan Group upon their respective maturities. The attention of the Shareholders is drawn to section 2 of this letter where we have observed a relatively low liquidity of the Cosmopolitan Shares on the Stock Exchange during the Review Period. Accordingly, it may not be possible for the Group to dispose of all the Sale Shares in the market without creating significant downward pressure on the market price of the Cosmopolitan Shares.

4.3.2 Comparison of the Consideration against the realizable value to the Group assuming the Sale Shares are disposed in the market and the Sale CBs are fully converted into Conversion Shares which are then disposed in the market

For illustrative purpose only, a comparison of the Consideration against the realizable value to the Group is set out below.

	Realizable value to the Group	Consideration	Surplus of the Consideration over the realizable value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale Shares	19,372 ^{1, 5}	23,380	4,008
CB2010	205,103 ^{2, 5}	247,538	42,435
CB2013(B)	96,667 ^{3, 5}	116,667	20,000
CB2013(D)	<u>96,667^{4, 5}</u>	<u>116,667</u>	<u>20,000</u>
Total	<u><u>417,809</u></u>	<u><u>504,252</u></u>	<u><u>86,443</u></u>

Notes:

1. The realizable value of the Sale Shares held by Fountain Sky is calculated on the assumption that the 334,000,000 Sale Shares are disposed in the market at the closing price of HK\$0.058 per Cosmopolitan Share on 20 August 2013 being the date of the Disposal Agreement.
2. The realizable value of the CB2010 held by Valuegood is calculated on the assumption that the CB2010 is fully converted into 3,536,250,000 Conversion Shares which are disposed in the market at the closing price of HK\$0.058 per Cosmopolitan Share on 20 August 2013 being the date of the Disposal Agreement.

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3. The realizable value of the CB2013(B) held by Time Crest is calculated on the assumption that the CB2013(B) is fully converted into 1,666,666,666 Conversion Shares which are disposed in the market at the closing price of HK\$0.058 per Cosmopolitan Share on 20 August 2013 being the date of the Disposal Agreement.
4. The realizable value of the CB2013(D) held by Well Mount is calculated on the assumption that the CB2013(D) is fully converted into 1,666,666,666 Conversion Shares which are disposed in the market at the closing price of HK\$0.058 per Cosmopolitan Share on 20 August 2013 being the date of the Disposal Agreement.
5. This figure was arrived at based on the assumptions that (i) all of the Sale Shares or the Conversion Shares (as the case may be) can be freely disposed on the Stock Exchange at the closing price of HK\$0.058 per Cosmopolitan Share on 20 August 2013, being the date of the Disposal Agreement; and (ii) such disposal would not create any downward pressure on the market price of the Cosmopolitan Share.

As demonstrated above, the Consideration receivable by the Group under the Disposal represents a total surplus of approximately HK\$86,443,000 over the realizable values of the Sale Shares, CB2010, CB2013(B) and CB2013(D) if the Sale Shares are disposed in the market and the Sale CBs are fully converted into Conversion Shares which are then disposed in the market. The attention of the Shareholders is drawn to section 2 of this letter where we have observed a relatively low liquidity of the Cosmopolitan Shares on the Stock Exchange during the Review Period. Accordingly, it may not be possible for the Group to dispose of all the Sale Shares and the Conversion Shares in the market without creating significant downward pressure on the market price of the Cosmopolitan Shares.

4.3.3 Comparison of the Consideration against the net asset values and shareholder's loans of the Target Companies

Since the Disposal involves the disposal of the entire issued share capital of and shareholder's loan of the Target Companies, we also consider it appropriate to include a comparison of the Consideration against the value of assets relinquished by the Group under the Disposal, i.e. the net asset values and shareholder's loans of the Target Companies, which is set out below.

	Net asset value and shareholder's loan¹	Consideration	Gain/(loss)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fountain Sky	19,700	23,380	3,680
Valuegood	220,600	247,538	26,938
Time Crest	134,300	116,667	(17,633)
Well Mount	<u>111,400</u>	<u>116,667</u>	<u>5,267</u>
Total	<u>486,000</u>	<u>504,252</u>	<u>18,252</u>

LETTER FROM AMPLE CAPITAL

Note:

1. The net asset value and shareholder's loan of the Target Companies is extracted from the "net assets before shareholder's loans" as at 31 July 2013 as set out under the section headed "Information on the Target Companies" in the Board Letter.

Based on the above, the Group is expected to record a gain of approximately HK\$18,252,000 (the "**Regal Gain**") (i.e. the difference between (i) the Consideration; and (ii) the net asset value and shareholder's loans of the Target Companies as at 31 July 2013) as a result of the Disposal. We also note from the section headed "Financial effects of the transactions" in the Board Letter that P&R Holdings would record a loss of approximately HK\$28.1 million (the "**P&R Holdings Loss**") based on the considerations for the Disposal and the Paliburg Disposal and the aggregate fair values of the Sale Shares, the Sale CBs, the Paliburg Sale Shares, and the Paliburg Sale CBs as at 31 July 2013. It is noted that both of the Disposal and Paliburg Disposal fall under the Disposal Agreement and accordingly completion of both of these transactions would take place simultaneously. As a 50% shareholder of P&R Holdings, 50% of the P&R Holdings Loss, equivalent to an amount of approximately HK\$14.1 million, would be attributable to the Group. When netting off the P&R Holdings Loss attributable to the Group against the Regal Gain of approximately HK\$18,252,000 as mentioned above, the net effect of the Disposal to the Group is expected to be a gain of approximately HK\$4.2 million.

4.4 *Conclusion regarding the Disposal*

Having considered our analyses above, we consider that the terms of the Disposal Agreement (including the Consideration) are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Disposal are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, we consider that the Disposal is on normal commercial terms. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution to approve the Disposal Agreement at the SGM.

Yours faithfully,
For and on behalf of
Ample Capital Limited
Kevin So
Vice President

INDEBTEDNESS

As at the close of business on 30 June 2013, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding borrowings of approximately HK\$9,505.2 million which represented (i) bank loans of HK\$5,240 million secured by certain of the Group's property, plant and equipment, investment properties and properties held for sale, (ii) unsecured notes of US\$300.0 million (approximately HK\$2,326.8 million) issued under a US\$1,000.0 million medium term note programme of the Company, and (iii) unsecured notes of HK\$775.0 million and US\$150.0 million (approximately HK\$1,163.4 million) issued under a US\$1,000.0 million medium term note programme of Regal REIT (the "**Regal REIT MTN Programme**").

As at the close of business on 30 June 2013, the Group had contingent liabilities relating to corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a jointly controlled entity of approximately HK\$577.3 million, of which only approximately HK\$339.8 million were utilised.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 30 June 2013, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance lease commitments, or any guarantees or other material contingent liabilities.

FINANCIAL AND TRADING PROSPECTS

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

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

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

On 27 June 2013, among other transactions, the Group entered into a conditional agreement to dispose of companies holding a land parcel in Tianjin, the PRC to the Cosmopolitan Group. On 27 June 2013, P&R Holdings (a 50-50 joint venture of the Group and the Paliburg Group) and Faith Crown Holdings Limited (a joint venture held as to 50% by each of the Group and the Cosmopolitan Group) entered into conditional agreements to dispose of their respective interests in the project companies undertaking a property development project in Chengdu, Sichuan Province, the PRC to the Cosmopolitan Group. Details in respect of the aforesaid transactions were set out in the joint announcement of the Company, Century City and Paliburg dated 27 June 2013.

On 28 June 2013, the Group entered into a conditional agreement for the acquisition by Regal REIT of the Sheung Wan Hotel from P&R Holdings. On 28 June 2013, the Group also entered into a conditional agreement with P&R Holdings in respect of the granting of an option by P&R Holdings entitling Regal REIT to acquire the North Point Hotel from P&R Holdings. Details in respect of the aforesaid transactions were set out in the circular of the Company dated 29 June 2013. Approval of the respective independent shareholders of the Company and of Regal REIT for the aforesaid transactions were obtained on 18 July 2013 and an aggregate amount of HK\$1,948 million has been paid by Regal REIT to P&R Holdings (and subsequently distributed by P&R Holdings to its shareholders) comprising the deposit for the acquisition of the Sheung Wan Hotel (of HK\$948 million), and the option fee (of HK\$10 million) and the refundable cash collateral (of HK\$990 million) in respect of the option to acquire the North Point Hotel.

On 15 August 2013, the Company announced that it is expected that the unaudited consolidated interim results of the Group for the six months ended 30 June 2013 will be substantially lower than that reported for the corresponding period in 2012 mainly due to the fact that the interim results attained for the comparative period in 2012 included profit contributions from the sale of houses in Regalia Bay, Stanley as well as from the realization of hedge reserve, which was one-off in nature. Further details were set out in the Company's announcement dated 15 August 2013.

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

WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that after taking into account the internal resources, present banking facilities available to the Group and the maximum amount of the Financial Assistance to be provided by the Group, the Group has sufficient working capital for its requirements for at least the next twelve months from the date of this circular in the absence of unforeseeable circumstances.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/ Other interests	
1. The Company	Mr. LO Yuk Sui	Ordinary (i) issued	24,200	523,851,261 <i>(Note c)</i>	260,700	524,136,161
		(ii) underlying	—	27,542,000 <i>(Note d)</i>	—	27,542,000
	Total (i) & (ii):					551,678,161 (57.22%)
	Dr. Francis CHOI Chee Ming	Ordinary (issued)	50,240,000	—	—	50,240,000 (5.21%)
	Miss LO Po Man	Ordinary (issued)	300,000	—	269,169 <i>(Note e)</i>	569,169 (0.06%)
Mr. Allen WAN Tze Wai	Ordinary (issued)	10,200	—	—	10,200 (0.001%)	

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/ Other interests	
2. Century City	Mr. LO Yuk Sui	Ordinary (issued)	99,587,396	1,769,164,691 <i>(Note a)</i>	380,683	1,869,132,770 (58.22%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)
	Miss LO Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.003%)
	Mr. NG Siu Chan	Ordinary (issued)	—	—	3,521,973	3,521,973 (0.11%)
	Mr. Allen WAN Tze Wai	Ordinary (issued)	24,000	—	—	24,000 (0.001%)
	Ms. Belinda YEUNG Bik Yiu	Ordinary (issued)	200	—	—	200 (0.000%)
3. Paliburg	Mr. LO Yuk Sui	Ordinary (issued)	90,078,014	739,970,803 <i>(Note b)</i>	15,000	830,063,817 (74.44%)
	Mr. Donald FAN Tung	Ordinary (issued)	556	—	—	556 (0.000%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
	Miss LO Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
	Mr. Kenneth NG Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)
	Mr. NG Siu Chan	Ordinary (issued)	—	—	80,474	80,474 (0.007%)
	Mr. Allen WAN Tze Wai	Ordinary (issued)	104,200	—	—	104,200 (0.01%)
4. 8D International (BVI) Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	1,000 <i>(Note f)</i>	—	1,000 (100%)
5. Regal REIT	Mr. LO Yuk Sui	Units (issued)	—	2,434,901,102 <i>(Note g)</i>	—	2,434,901,102 (74.75%)

Notes:

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

- (b) The interests in 693,234,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 58.21% shareholding interests as at the Latest Practicable Date.

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

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

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

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

- (c) The interests in 421,400 Shares were held through companies wholly owned by Century City, in which Mr. Lo held 58.21% shareholding interests as at the Latest Practicable Date, and the interests in the other 523,429,861 Shares were held through companies wholly owned by Paliburg, in which Century City held 62.17% shareholding interests as at the Latest Practicable Date.
- (d) These derivative interests in underlying 27,542,000 Shares were held by a wholly owned subsidiary of Paliburg through certain equity derivative contracts on Shares, which will be settled in cash only.
- (e) The interests in 269,169 Shares were held by Miss LO Po Man as the beneficiary of a trust.
- (f) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.21% shareholding interests as at the Latest Practicable Date, and 600 shares were held through a company controlled by Mr. Lo.
- (g) The interests in 2,428,881,739 units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 units of Regal REIT were held through wholly owned subsidiaries of Paliburg. The interests in 5,287,000 units of Regal REIT were held through wholly owned subsidiaries of Century City. Paliburg, in which Century City held 62.17% shareholding interests as at the Latest Practicable Date, held 54.29% shareholding interests in the Company as at the Latest Practicable Date. Mr. Lo held 58.21% shareholding interests in Century City as at the Latest Practicable Date.

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name of substantial shareholder	Number of issued Shares held	Number of underlying Shares held	Total number of Shares (issued and underlying) held	Approximate percentage of issued Shares as at the Latest Practicable Date
Century City (<i>Note a</i>)	523,851,261	27,542,000	551,393,261	57.19%
Century City BVI Holdings Limited ("CCBVI") (<i>Note b</i>)	523,851,261	27,542,000	551,393,261	57.19%
Paliburg (<i>Note c</i>)	523,429,861	27,542,000	550,971,861	57.15%
Paliburg Development (<i>Note d</i>)	523,429,861	27,542,000	550,971,861	57.15%
Guo Yui Investments Limited (<i>Note d</i>)	209,946,466	—	209,946,466	21.78%
Paliburg BVI Holdings Limited (<i>Note d</i>)	230,870,324	—	230,870,324	23.95%
Taylor Investments Ltd. (<i>Note d</i>)	154,232,305	—	154,232,305	16.00%
H.P. Nominees Limited (<i>Note d</i>)	32,072,885	27,542,000	59,614,885	6.18%
Glaser Holdings Limited (<i>Note d</i>)	58,682,832	—	58,682,832	6.09%

Notes:

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

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

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

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

4. SERVICE CONTRACTS

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

5. LITIGATION

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

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

7. QUALIFICATION AND CONSENT OF 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
Ample Capital	a licensed corporation to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Ample 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 Ample Capital is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Ample Capital had no interest in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and Ample Capital had no interest, either directly or indirectly, in any assets which have been, since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

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

9. MATERIAL ADVERSE CHANGE

On 15 August 2013, the Company announced that it is expected that the unaudited consolidated interim results of the Group for the six months ended 30 June 2013 will be substantially lower than that reported for the corresponding period in 2012 mainly due to the fact that the interim results attained for the comparative period in 2012 included profit contributions from the sale of houses in Regalia Bay, Stanley as well as from the realization of hedge reserve, which was one-off in nature. Further details were set out in the Company's announcement dated 15 August 2013.

Save as disclosed above, the Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business in Hong Kong of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the SGM:

- (a) the Disposal Agreement;
- (b) the Facility Agreement;
- (c) the memorandum of association and bye-laws of the Company;
- (d) the annual reports of the Company for the two years ended 31 December 2011 and 2012;
- (e) the circular of the Company dated 29 June 2013;
- (f) this circular;
- (g) the written consent referred to in the section headed "Qualification and consent of expert" of this Appendix; and
- (h) Ample Capital's letter of advice dated 22 August 2013.

11. GENERAL

- (a) The registered office of the Company is at 26 Burnaby Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary of the Company is Ms. Eliza LAM Sau Fun, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (e) The English text of this circular shall prevail over the Chinese text.

NOTICE OF SGM



NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of Regal Hotels International Holdings Limited (the “Company”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Saturday, 7 September 2013 at 10:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the entering into of the Disposal Agreement (as defined in the circular to the shareholders of the Company dated 22 August 2013 (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 Disposal Agreement by Regal BVI and RHHL (both 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 Disposal 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 directors may deem necessary and in the interests of the Company and its shareholders to do so.”

2. **“THAT:**

- (a) the entering into of the Facility Agreement (as defined in the Circular, of which this notice forms part), a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for identification purpose, the transactions contemplated thereunder and the execution of the Facility Agreement by RHIL (as defined in the Circular) be and are hereby confirmed, approved, authorised and/or ratified in all respects; and

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- (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 Facility 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, 22 August 2013

Notes:

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

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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 resolutions put to the vote of the members of the Company will be decided by way of poll.

7. In the event that a typhoon signal no. 8 (or above) or a black rainstorm warning is in effect on the day of the SGM, members of the Company are requested to call the Company's hotline at (852) 2894-7541 on that day to enquire about the arrangements of the SGM.