THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

富豪酒店國際控股有限公司
Regal Hotels
International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 78)

DISCLOSEABLE AND CONNECTED TRANSACTION
ENTERING INTO OF THE S&P AGREEMENT
INVOLVING THE SALE AND PURCHASE OF A HOTEL

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

Investec

A notice convening the special general meeting of Regal Hotels International Holdings Limited (the "**Company**") to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 28 August 2017 at 3:00 p.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.

9 August 2017

CONTENTS

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

"Board"	the board of Directors
"Business Day"	a day (excluding, Saturdays, Sundays and public holidays) on which commercial banks are open for business in Hong Kong and the Stock Exchange is open for trading
"Capital Merit"	Capital Merit Investments Limited, a wholly-owned subsidiary of Paliburg
"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)
"Colliers"	Colliers International (Hong Kong) Limited, the independent property valuer in respect of the Hotel
"Company"	Regal Hotels 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: 78)
"Completion"	completion of the S&P Agreement
"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)
"Deposit"	a deposit of HK$200 million paid by the Trustee to P&R Holdings under the S&P Agreement
"Directors"	the directors of the Company
"Dragon Pier"	Dragon Pier Investments Limited
"Giant Sino"	Giant Sino Group Limited
"Group"	the Company and its subsidiaries
"Guarantors"	the Company and Paliburg
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Hotel"	iclub Ma Tau Wai Hotel, a hotel developed and erected on the Land
"Hotel Licence"	the hotel licence issued by the Home Affairs Department in respect of the Hotel under the Hotel and Guesthouse Accommodation Ordinance (Chapter 349 of the Laws of Hong Kong)
"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 Transaction
"Independent Shareholders"	Shareholders other than Mr. LO Yuk Sui, Century City, Paliburg, Cosmopolitan and their respective associates (as defined in the Listing Rules)
"Investec"	Investec Capital Asia Limited, a corporation licensed to carry out type 1 (dealing in securities), 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 Transaction
"Land"	a parcel of land located at No. 8 Ha Heung Road (formerly known as Nos. 8, 8A, 10, 10A, 12 and 12A, Ha Heung Road), To Kwa Wan, Kowloon
"Land Crown"	Land Crown International Limited, the direct wholly-owned subsidiary of Leading Brand and the sole legal and beneficial owner of the Land
"Latest Practicable Date"	3 August 2017, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
"Leading Brand"	Leading Brand Holdings Limited, the direct wholly-owned subsidiary of Prosper Harvest
"Lease Agreement"	the lease agreement to be entered into between the Lessee (as lessee) and Land Crown (as lessor) in respect of the lease of the Hotel upon Completion
"Lessee"	Favour Link International Limited (a wholly-owned subsidiary of the Company)

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 September 2017 or such later date as may be agreed by P&R Holdings and the Trustee (acting on the recommendation and at the direction of the Manager) in writing
"Manager"	Regal Portfolio Management Limited, the manager of Regal REIT and a wholly-owned subsidiary of the Company
"Paliburg"	Paliburg Holdings Limited, a company incorporated in Bermuda and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
"percentage ratios"	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
"Prosper Harvest"	Prosper Harvest Investments Limited
"Prosper Harvest Group"	Prosper Harvest and its subsidiaries
"P&R Group"	P&R Holdings and its subsidiaries
"P&R Holdings"	P&R Holdings Limited, a joint venture established and owned by Capital Merit and RHIL as to 50% and 50% respectively
"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)
"REIT Code"	the Code on Real Estate Investment Trusts published by the SFC (as amended from time to time)
"RHIL"	Regal Hotels Investments Limited, a wholly-owned subsidiary of the Company
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held on Monday, 28 August 2017 at 3:00 p.m. for the purpose of considering and, if thought fit, approving the Transaction
"Shareholder Loan"	all amounts due (including principal, interests and other sums (if any)), owing or payable by Prosper Harvest to P&R Holdings

"Shareholders"	holders of Shares
"Share(s)"	ordinary share(s) of par value HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"S&P Agreement"	the sale and purchase agreement dated 29 June 2017 entered into between the Company, the Manager, the Trustee, P&R Holdings and Paliburg in relation to the Transaction
"Transaction"	(a) the acquisition by the Trustee (acting on the recommendation and the instructions of the Manager) (or its nominee) of the entire issued share capital of Prosper Harvest; and (b) the assignment of the Shareholder Loan to the Trustee (or its nominee), on the terms and subject to the conditions of the S&P Agreement
"Transaction Documents"	collectively, (1) the S&P Agreement; (2) the loan assignment of the Shareholder Loan; (3) the deed of tax indemnity to be given by P&R Holdings and the Guarantors in relation to the Transaction; (4) the Lease Agreement; (5) the lease guarantee to be given by the Company in relation to the Lease Agreement; (6) the hotel management agreement in respect of the management of the Hotel; and (7) all agreements to be entered into by any party or their associated companies pursuant to, or referred to, in any of the foregoing
"Trust Deed"	the trust deed dated 11 December 2006 constituting Regal REIT, entered into between the Trustee and the Manager, as the same may be amended or supplemented from time to time
"Trustee"	DB Trustees (Hong Kong) Limited, in its capacity as trustee of Regal REIT
"Unitholders"	holders of the units of Regal REIT from time to time
"Waiver Application"	the waiver application from strict compliance with certain requirements under Chapter 8 of the REIT Code in respect of certain continuing connected transactions contemplated in relation to the Hotel

富豪酒店國際控股有限公司
Regal Hotels International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 78)

Executive Directors:
Mr. LO Yuk Sui *(Chairman and Chief Executive Officer)*
Miss LO Po Man *(Vice Chairman and Managing Director)*
Ms. Belinda YEUNG Bik Yiu *(Chief Operating Officer)*
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai
Mr. Allen WAN Tze Wai

Non-Executive Director:
Dr. Francis CHOI Chee Ming, GBS, JP *(Vice Chairman)*

Independent Non-Executive Directors:
Ms. Alice KAN Lai Kuen
Professor Japhet Sebastian LAW
Mr. NG Siu Chan
Mr. WONG Chi Keung

Registered Office:
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

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

9 August 2017

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ENTERING INTO OF THE S&P AGREEMENT INVOLVING THE SALE AND PURCHASE OF A HOTEL

INTRODUCTION

Reference is made to the announcements jointly issued by the Company, Century City and Paliburg dated 23 May 2017 and 29 June 2017.

On 23 May 2017, P&R Holdings and the Manager (in its capacity as manager of Regal REIT) executed a letter of intent setting out the principal terms of the possible disposal of the entire issued share capital of Prosper Harvest and the Shareholder Loan by P&R Holdings to Regal REIT or its designated wholly-owned subsidiary.

On 29 June 2017, P&R Holdings and the Trustee (in its capacity as trustee of Regal REIT), among other parties, entered into the S&P Agreement pursuant to which the Trustee agreed to acquire the entire issued share capital of and the Shareholder Loan to Prosper Harvest for a consideration of HK$1,360 million, plus a current assets adjustment as set out under the section headed "THE TRANSACTION — S&P Agreement — Consideration" below.

Regal REIT is a listed subsidiary of the Company. The Transaction constitutes a discloseable transaction and a connected transaction for the Company subject to Independent Shareholders' approval under the Listing Rules. The SGM will be convened to seek Independent Shareholders' approval for the Transaction.

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

THE TRANSACTION

S&P Agreement

Date:	29 June 2017
Parties:	1. P&R Holdings (as vendor) 2. Trustee, in its capacity as trustee and on behalf of Regal REIT (as purchaser) 3. Manager, in its capacity as manager of Regal REIT 4. Paliburg and the Company (as guarantors) P&R Holdings is owned as to 50% by a wholly-owned subsidiary of the Company and 50% by a wholly-owned subsidiary of Paliburg. As at the Latest Practicable Date, Paliburg, through its wholly-owned subsidiaries, held approximately 66.6% of the issued share capital of the Company. P&R Holdings is therefore a connected person of the Company. Regal REIT is a listed subsidiary of the Company. As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries, held approximately 74.6% of the issued units of Regal REIT.
Assets to be acquired:	1. The entire issued share capital of Prosper Harvest 2. The Shareholder Loan as at the date of Completion which amounted to approximately HK$1.0 billion as at the Latest Practicable Date Upon Completion, Prosper Harvest will be wholly owned by Regal REIT and will become a subsidiary of the Company.

Consideration: HK$1,360 million, plus an amount equivalent to the current assets (being the aggregate of all receivables, refundable utility and other deposits placed with relevant authorities or suppliers in connection with the Hotel) of the Prosper Harvest Group as at Completion which shall be capped at HK$2 million. As at 31 December 2016, the current assets of the Prosper Harvest Group amounted to approximately HK$1.3 million and apart from the Hotel and the current assets, the Prosper Harvest Group does not hold any other assets.

The consideration for the Shareholder Loan would amount to the book value of the Shareholder Loan as at the date of Completion, while the difference between the total consideration of HK$1,360 million (subject to the aforesaid current assets adjustment) and the consideration for the Shareholder Loan would represent the consideration for the entire issued share capital of Prosper Harvest.

The consideration was determined after arm's-length negotiation between the parties taking into account the valuation of the Hotel of HK$1,400 million as of 23 June 2017 as appraised by Colliers, the Shareholder Loan to be acquired by Regal REIT pursuant to the Transaction and that the Prosper Harvest Group shall not have any liabilities other than the Shareholder Loan at Completion, and the previous transactions involving the sale and purchase of the Prosper Harvest Group. As at 31 December 2016, the Prosper Harvest Group had net liabilities of approximately HK$137.3 million and the aggregate of its net liabilities of approximately HK$137.3 million and the Shareholder Loan of HK$1,000 million would amount to approximately HK$862.7 million. The consideration for the Transaction of HK$1,360 million (before any current assets adjustment) would represent a premium of approximately 57.6% over the aggregate of the Prosper Harvest Group's net liabilities and the Shareholder Loan as at 31 December 2016. However, based on the independent valuation, the Hotel is valued at HK$1,400 million as of 23 June 2017; the consideration for the Transaction of HK$1,360 million (before any current assets adjustment) would represent a discount of approximately 2.9% to such valuation of the Hotel. Having regard to the aforesaid discount to the valuation of the Hotel as of 23 June 2017, the Directors consider that the consideration and its basis are fair and reasonable. Details of the valuation are set out in Appendix I to this circular.

Deposit and payment terms:	The Trustee has paid the Deposit to P&R Holdings in cash. The Deposit has not been deposited into an escrow account, and pursuant to the S&P Agreement, the Deposit may be used by P&R Holdings without restriction. The Deposit (without accrued interest, if any) shall be refunded in full by P&R Holdings to the Trustee within ten Business Days after termination of the S&P Agreement in certain circumstances such as any of the conditions precedent set out below not being satisfied (or waived) on or before the Long Stop Date. The Guarantors have guaranteed the obligations of P&R Holdings pursuant to the S&P Agreement, and this would include the refund of such Deposit. At Completion, the Deposit shall be applied on a dollar-for-dollar basis towards the Trustee's obligation to pay the total consideration for the Transaction. Payments of the Deposit and the remaining balance of the consideration will be financed by (a) existing and/or new bank facilities secured against the Hotel and/or other assets held by Regal REIT and/or (b) Regal REIT's internal resources.
Conditions precedent:	Completion is conditional upon the satisfaction or waiver of the following conditions: (a) if applicable, Paliburg and Century City, obtaining its shareholders' approval of the transactions contemplated under the S&P Agreement, in a form satisfactory to the Trustee and the Manager and in accordance with their respective articles of association or bye-laws and the Listing Rules (as the case may be); (b) the Company obtaining the Independent Shareholders' approval of the transactions contemplated under the S&P Agreement, in a form satisfactory to the Trustee and the Manager and in accordance with its article of association or bye-laws and the Listing Rules; (c) Regal REIT obtaining the independent Unitholders' approval of (i) the transactions contemplated under the S&P Agreement and other transactions contemplated under, associated with and/or related to the Transaction; and (ii) the Waiver Application, in accordance with the Trust Deed and REIT Code;

(d) all necessary consents or waivers being granted by third parties (including any governmental or official authorities) in connection with the transactions contemplated under the S&P Agreement and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the entire issued share capital of Prosper Harvest, the assignment of the Shareholder Loan and/or the operation of the business activities of the Prosper Harvest Group by any member of the Prosper Harvest Group after Completion having been proposed, enacted or taken by any governmental or official authority;

(e) the warranties remaining true and accurate and not misleading in any material respect at Completion and at all times between the date of the S&P Agreement and Completion;

(f) each of P&R Holdings and the Guarantors having complied fully with obligations and otherwise having performed in all material respects all of the covenants and agreements required to be performed by them under the S&P Agreement;

(g) no compulsory acquisition or resumption of the Hotel and no notice of such intention received from any governmental authority; and

(h) Regal REIT obtaining or procuring a new bank facility of an amount no less than HK$500 million for the purposes of financing part of the consideration of the Transaction, on terms that the Manager considers to be reasonably satisfactory having regard to similar debt borrowings of similar size and nature in the current loan market in Hong Kong.

The Trustee may (acting on the recommendation and at the direction of the Manager) waive (in whole or in part) any of conditions precedent (e) and (f) above (subject to the REIT Code, the Listing Rules and any other applicable laws or regulation). If any of the conditions have not been satisfied or waived prior to the Long Stop Date, then the Trustee (acting on the recommendation and at the direction of the Manager) may, at its option without any penalty, (a) postpone the date by which the conditions must be satisfied or waived to a later date (being a Business Day) falling not more than 10 Business Days after the original date; or (b) terminate the S&P Agreement (whereby the Deposit shall be refunded to the Trustee). Condition (c) above had been satisfied as at the Latest Practicable Date while condition (a) above is not applicable.

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

P&R Holdings shall procure that at Completion all liabilities of the Prosper Harvest Group (other than the Shareholder Loan) shall be discharged and all shares in the capital of each member of the Prosper Harvest Group shall be released from all encumbrances, and all other security created by the Prosper Harvest Group for all previous or existing borrowings shall be released.

At Completion, the Trustee may nominate such person(s) as it may determine in its sole discretion to be the transferee of the entire issued share capital of Prosper Harvest or the assignee of the Shareholder Loan and to execute the relevant Transaction Documents as transferee or assignee (as the case may be) in the place of the Trustee.

Representations, warranties and indemnity: The S&P Agreement contains customary representations and warranties given by P&R Holdings and the Guarantors, including those in respect of P&R Holdings, the Prosper Harvest Group and the Hotel. These include, among others:

(a) the Prosper Harvest Group shall not, at Completion, have any liabilities other than the Shareholder Loan that will also be acquired by the Trustee; and

(b) the members of the Prosper Harvest Group shall, at Completion, have no other operations other than the ownership and operation of the Hotel.

Pursuant to the S&P Agreement, P&R Holdings and the Guarantors (on a several basis in equal proportions) have undertaken to indemnify the Trustee, the Manager and the Prosper Harvest Group for any loss, damages, costs (including legal costs), expenses and other liabilities which the Trustee, the Manager and/or the Prosper Harvest Group may incur or suffer as a result of any breach of the warranties.

The S&P Agreement also sets out limitations on the liability of P&R Holdings and the Guarantors in respect of any breach of warranties. The maximum aggregate liability of P&R Holdings and the Guarantors in respect of all claims for breach of warranties under the S&P Agreement shall not exceed the total consideration for the Transaction. The S&P Agreement provides for a limitation period of 3 years following Completion for all claims (other than claims relating to tax-related warranties in which case the limitation period is 7 years, and certain stamp duty-related claims for which there is no limitation period).

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

Tax: P&R Holdings and the Guarantors will at Completion enter into a deed of tax indemnity in favour of the Trustee and the Prosper Harvest Group. Pursuant to the deed, P&R Holdings and the Guarantors (on a several basis in equal proportions) will covenant, undertake and agree with the Trustee and the Prosper Harvest Group that they will indemnify on demand the Trustee and the Prosper Harvest Group in respect of, among other things, any tax liability resulting from or by reference to any event occurring on or before Completion or in respect of any income, profits or gains earned, accrued or received by the Prosper Harvest Group on or before Completion. A claim can be made on or prior to the seventh anniversary of the deed, save for certain stamp duty-related claims for which there is no limitation period.

Lease Agreement

Upon Completion, the Lessee (a wholly-owned subsidiary of the Company) will lease the Hotel from Land Crown (which will become an indirect wholly-owned subsidiary of Regal REIT then). The lease will be for a term of 5 years commencing on the date of Completion and may be extended at Land Crown's sole discretion for a further term up to 31 December 2027.

Under the Lease Agreement, the annual rental payable by the Lessee to Land Crown amounts to HK$54.4 million, HK$57.8 million, HK$61.2 million, HK$64.6 million and HK$68.0 million (representing 4.0%, 4.25%, 4.5%, 4.75% and 5.0% of the total consideration (excluding the current assets adjustment) for the Transaction) respectively for the first 5 years of the lease. If extended, the annual rental payable for such extended lease term will be determined based on a market rental review performed by an independent professional property valuer jointly appointed by the Lessee and Land Crown.

The Lessee will engage Regal Hotels International Limited, another wholly-owned subsidiary of the Company, to manage the Hotel.

Undertaking by P&R Holdings

Subject to the Lease Agreement becoming and remaining effective and the Lessee committing no default and breach under the Lease Agreement during the first 5 years of the lease term under the Lease Agreement (each a "**Lease Year**"), if at the end of each Lease Year there is any shortfall of the total cumulative net income derived by the Lessee from the Hotel (the "**Total Net Income**") below the total cumulative payments (including rent) under the Lease Agreement (the "**Total Payments**") (the "**Shortfall**"), P&R Holdings shall within 3 months from the end of each Lease Year reimburse such Shortfall or additional Shortfall (from the previous Lease Year end) to the Lessee during the first 5 years of the lease. If the Shortfall is reduced (from the previous Lease Year end), the Lessee shall refund an amount equal to such reduction to P&R Holdings. Such amount of reimbursement or refund, if any, shall be payable by P&R Holdings to the Lessee or by the Lessee to P&R Holdings (in case of refund) within 7 days after the receipt from the Lessee of a calculation schedule as certified by the directors of the Lessee (or certified by auditors if so requested by P&R Holdings), which shall be conclusive save for any manifest mistake.

Information on Prosper Harvest and the Hotel

Prosper Harvest was incorporated in the British Virgin Islands in May 2011. The Prosper Harvest Group is engaged in the investment and development of the Hotel. In February 2013, P&R Holdings acquired from a wholly-owned subsidiary of the Company the entire equity interest in and the then shareholder loan to Prosper Harvest at a consideration of approximately HK$46.52 million. In December 2016, P&R Holdings disposed of a 50% equity interest in Prosper Harvest to Dragon Pier for a consideration of approximately HK$150.7 million which was determined after arm's-length negotiation between the parties taking into account, among others, (i) an agreed value of the Hotel of HK$1,300 million (with reference to a valuation of the Hotel of HK$1,360 million as of 21 December 2016 appraised by an independent valuer); and (ii) the then outstanding Shareholder Loan from P&R Holdings of HK$1,000 million on completion. In May 2017, P&R Holdings acquired the 50% equity interest in Prosper Harvest from Dragon Pier at a consideration of approximately HK$165.7 million which was determined after arm's-length negotiation between the parties taking into account, among others, (i) the value for the Hotel with reference to its location and specifications and the improved market conditions regarding the tourism industry in Hong Kong (as more detailed below); (ii) the then outstanding Shareholder Loan of HK$1,000 million; and (iii) the terms of the Transaction including the consideration for the Transaction of HK$1,360 million (before any current assets adjustment) on the basis of the Hotel being valued at not less than HK$1,360 million (where according to the independent valuation by Colliers as set out in appendix I to this circular, the Hotel is valued at HK$1,400 million as of 23 June 2017). P&R Holdings' total net payment for the Hotel comprising the cost of acquisition of Leading Brand (which owns the entire issued share capital of Land Crown) by Prosper Harvest and the construction costs of the Hotel incurred by Land Crown (both of which were eventually financed by the Shareholder Loan) and the net considerations for the aforesaid transactions involving Prosper Harvest amounted to approximately HK$875 million. Dragon Pier is an investment holding company wholly owned by Giant Sino which was previously a controlling shareholder of Cosmopolitan (a listed subsidiary of Century City and Paliburg) and as at the Latest Practicable Date was still a shareholder of Cosmopolitan holding 33.75 million ordinary shares of Cosmopolitan. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Dragon Pier and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

As set out in the announcement dated 28 December 2016 jointly issued by Century City, Paliburg and the Company, the aforesaid disposal of 50% equity interest in Prosper Harvest by P&R Holdings represented an opportunity for P&R Holdings to realise part of the value of the Hotel on terms which were considered fair and reasonable, taking into account, among other things, the expected gain arising from the said disposal. As set out in the announcement dated 23 May 2017 jointly issued by Century City, Paliburg and the Company, the tourism industry in Hong Kong had seen a rebound showing a year-on-year increase of 3.7% in total number of visitors during January to March 2017, compared to a 4.5% year-on-year fall in 2016. Regal REIT is optimistic of the long-term prospects of the hospitality industry in Hong Kong and intends to build on its hotel portfolio. P&R Holdings purchased back the 50% equity interest in Prosper Harvest to consolidate the entire equity interest in the Prosper Harvest Group in order to facilitate the Transaction.

Prosper Harvest is the sole owner of Leading Brand which in turn holds the entire issued share capital of Land Crown. Land Crown is the sole owner of the Land and the developer of the Hotel with the following key specifications:

Location:	No. 8 Ha Heung Road (formerly known as Nos. 8, 8A, 10, 10A, 12 and 12A, Ha Heung Road), Kowloon, Hong Kong
No. of guestrooms:	340
No. of storeys:	22 storeys (including basement and ground floor)
Gross floor area:	Approximately 6,298 square metres
Covered floor area:	Approximately 9,490 square metres
Facilities:	Lounge, computer area and fitness area

The occupation permit for the Hotel was issued by the Building Authority on 23 November 2016 and the Hotel Licence was issued on 17 May 2017. The Hotel commenced operation on 23 May 2017 under the "iclub by Regal (富薈酒店)" brand.

Prosper Harvest recorded consolidated net loss (both before and after tax) of approximately HK$63,000 for the year ended 31 December 2015 and approximately HK$136.3 million for the year ended 31 December 2016. As at 31 December 2016, Prosper Harvest had consolidated net liabilities of approximately HK137.3 million.

RISK FACTORS IN RELATION TO THE TRANSACTION

The Hotel has only commenced operations since obtaining the Hotel Licence in May 2017. Shareholders and prospective investors should be aware that there may be start-up risk associated with the Hotel

The Hotel is newly developed and has only commenced operations since obtaining the Hotel Licence in May 2017. There can be no assurance with respect to Regal REIT's performance with the Hotel becoming part of its portfolio. Accordingly, investors should be aware that there may be start-up risk associated with the Hotel.

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

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

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

The Manager's due diligence review on the Hotel may not have identified all material defects, breaches of laws and regulations and other deficiencies

The Manager has conducted a physical and technical inspection and investigation of the Hotel. Nevertheless, there can be no assurance that such inspections would have revealed all defects or deficiencies affecting the Hotel.

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

Under the Transaction Documents, P&R Holdings, the Guarantors and/or other counterparties have made (or will make) several commitments in favour of Regal REIT, including but not limited to the refund of the Deposit, which is not held in escrow. Failure by such parties to fulfil any of the obligations in the Transaction Documents may have a material adverse effect on Regal REIT's operations.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in hotel ownership through Regal REIT (a listed subsidiary of the Company), and hotel management and operation. It also engages in property development and investment, as well as asset management of Regal REIT and securities and other investments. Owned as to approximately 74.6% by the Company as at the Latest Practicable Date, Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the SFO and its units have been listed on the Stock Exchange since 30 March 2007. Its principal activity is to own and invest in income-producing hotels, hospitality-related properties and other commercial properties with the objectives of producing stable and growing distributions to the unitholders of Regal REIT and to achieve long-term growth in the net asset value per unit of Regal REIT. The Manager is a wholly-owned subsidiary of the Company.

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

The Hotel's occupation permit and the Hotel Licence have been issued and it commenced operations in May 2017. Pursuant to the S&P Agreement, Regal REIT, a 74.6%-owned subsidiary of the Company, will acquire the entire equity interest in and the Shareholder's Loan to the Prosper Harvest Group which owns the Hotel at a consideration determined with reference to, among others, an independent valuation on the Hotel. After Completion, the Group (through Regal REIT and the Prosper Harvest Group) will own the Hotel, and (through wholly-owned subsidiaries of the Company) will operate and manage the Hotel. The Directors consider that the Transaction provides an opportunity for the Group (through Regal REIT) to consolidate its interest in the Hotel which will be operated and managed by the Group.

Taking into account the basis of determination of the consideration for the Transaction, as set out in the section headed "THE TRANSACTION—S&P Agreement—Consideration" and the reasons for the Transaction set out above, the Directors (including the independent non-executive Directors who are members of the Independent Board Committee) consider that the terms of the Transaction are fair and reasonable, on normal commercial terms, in the ordinary and usual course of the Group's business and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

Paliburg, through its wholly-owned subsidiaries, held approximately 66.6% of the issued share capital of the Company as at the Latest Practicable Date. P&R Holdings is owned as to 50% by a wholly-owned subsidiary of the Company and 50% by a wholly-owned subsidiary of Paliburg. P&R Holdings is therefore a connected person of the Company. Regal REIT is a listed subsidiary of the Company. As at the Latest Practicable Date, the Company held, through its wholly-owned subsidiaries, approximately 74.6% of the issued units of Regal REIT. Based on the applicable percentage ratios, the Transaction constitutes a discloseable transaction and a connected transaction for the Company subject to Independent Shareholders' approval under the Listing Rules.

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

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 Transaction. As Mr. NG Siu Chan and Mr. WONG Chi Keung, both independent non-executive Directors, are also independent non-executive directors of Paliburg which is the immediate listed holding company of P&R Holdings, they are not members of the Independent Board Committee.

SPECIAL GENERAL MEETING

A notice convening the SGM, at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Transaction, is contained on pages 57 and 58 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. As at the Latest Practicable Date, (i) Mr. LO Yuk Sui and his spouse personally held a total of 284,900 Shares; (ii) a wholly-owned subsidiary of Century City held 421,400 Shares; (iii) certain wholly-owned subsidiaries of Paliburg held 599,025,861 Shares; (iv) a wholly-owned subsidiary of Cosmopolitan held 23,408,000 Shares; and (v) Miss LO Po Man (Mr. LO Yuk Sui's daughter), personally and through a trust, held 569,169 Shares. In total, Mr. LO Yuk Sui, Century City, Paliburg, Cosmopolitan and their respective associates, in aggregate holding and entitled to exercise control over the voting rights in respect of 623,709,330 Shares (representing approximately 69.4% 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, Cosmopolitan and their respective associates, as at the Latest Practicable Date, no other Shareholders had a material interest in the Transaction (other than their interests as Shareholders). The results of the poll will be published on the websites of the Company and the Stock Exchange.

RECOMMENDATION

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

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

富豪酒店國際控股有限公司
Regal Hotels International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 78)

9 August 2017

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ENTERING INTO OF THE S&P AGREEMENT INVOLVING THE SALE AND PURCHASE OF A HOTEL

INTRODUCTION

We refer to the circular of the Company dated 9 August 2017 (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 S&P Agreement and the transactions contemplated thereunder. Investec 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 19 to 38 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

RECOMMENDATION

Having considered the terms of the S&P Agreement, the transactions contemplated thereunder and taking into account the independent advice of Investec set out in its letter on pages 19 to 38 of the Circular and the relevant information contained in the letter from the Board, we consider that the S&P Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of the Group's business 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 S&P Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Alice KAN Lai Kuen
Independent non-executive Director

Japhet Sebastian LAW
Independent non-executive Director

The following is the text of the letter of advice from Investec setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction for inclusion in this Circular.

Investec

9 August 2017

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

Dear Sirs/Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION ENTERING INTO OF THE S&P AGREEMENT INVOLVING THE SALE AND PURCHASE OF A HOTEL

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular to the Shareholders dated 9 August 2017 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise specifies.

Reference is made to the Letter from the Board in relation to, among other things, the S&P Agreement dated 29 June 2017, entered into between the Company, the Manager, the Trustee, P&R Holdings and Paliburg in relation to the Transaction. Pursuant to the S&P Agreement, the Trustee agreed to acquire the entire issued share capital of and the shareholder loan to Prosper Harvest for a consideration of HK$1,360 million plus an amount equivalent to the current assets (being the aggregate of all receivables, refundable utility and other deposits placed with relevant authorities or suppliers in connection with the Hotel) of the Prosper Harvest Group as at Completion which shall be capped at HK$2 million (the "**Consideration**").

Upon Completion, Prosper Harvest will cease to be a wholly-owned subsidiary of P&R Holdings, being a 50-50 owned joint venture of the Company. However, as Regal REIT is an indirect non-wholly owned listed subsidiary of the Company, Prosper Harvest will become a subsidiary of the Company and the financial statements of the Prosper Harvest Group will be consolidated into the financial statements of the Group upon Completion.

P&R Holdings is owned as to 50% by a wholly-owned subsidiary of the Company and 50% by a wholly-owned subsidiary of Paliburg. P&R Holdings is therefore a connected person of the Company. Regal REIT is a listed subsidiary of the Company. As at the Latest Practicable Date, the Company held approximately 74.6% of the issued units of Regal REIT. Based on the foregoing and the applicable percentage ratios, the Transaction constitutes a discloseable transaction and a connected transaction for the Company subject to Independent Shareholders' approval requirements under the Listing Rules.

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

As set out in the Letter from the Board, Mr. LO Yuk Sui, Century City, Paliburg, Cosmopolitan and their respective associates are interested in an aggregate of 623,709,330 Shares (representing approximately 69.4% of the issued Shares) as at the Latest Practicable Date and they shall respectively abstain from voting at the SGM.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of (i) seven executive Directors, namely Mr. LO Yuk Sui, Miss LO Po Man, Ms. Belinda YEUNG Bik Yiu, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai, and Mr. Allen WAN Tze Wai; (ii) one non-executive Director, namely Dr. Francis CHOI Chee Ming; and (iii) four independent non-executive Directors, namely Ms. Alice KAN Lai Kuen, Professor Japhet Sebastian LAW, Mr. NG Siu Chan, and Mr. WONG Chi Keung.

The Independent Board Committee comprising two independent non-executive Directors, namely, Ms. Alice KAN Lai Kuen and Professor Japhet Sebastian LAW, has been established to advise the Independent Shareholders as to whether the Transaction is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Transaction for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

As at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction. Save for our appointment as the independent financial adviser in respect of the Transaction, we did not act as an independent financial adviser to the Group in the past two years.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

III. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors and/or its senior management staff (the "**Management**"). We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or the Management and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors and/or the Management that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are made available to us 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 advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, Century City, Paliburg, P&R Holdings, Regal REIT, Prosper Harvest and their respective shareholders and subsidiaries or affiliates or the prospects of the markets in which they respectively operate.

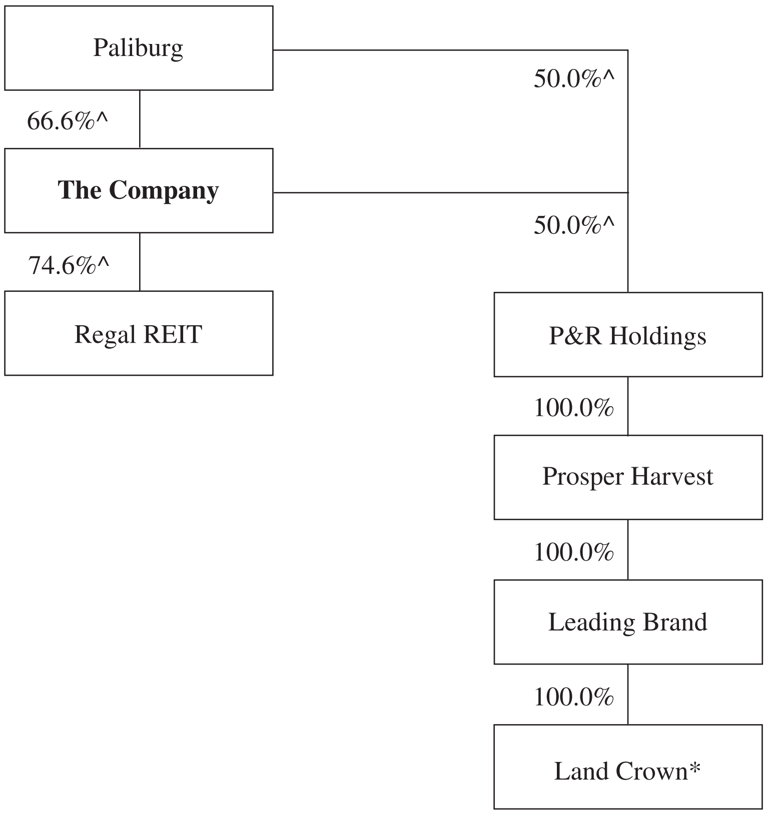
IV. PRINCIPAL FACTORS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information

1.1 Information on the Group and its shareholding structure

Based on information as extracted from the Letter from the Board, set out below is the simplified shareholding structure of the Group (including Regal REIT and P&R Holdings) as at the Latest Practicable Date:



* Principal asset is the Land and the Hotel

^ Through wholly-owned subsidiaries

Note: For more information on Prosper Harvest, please refer to the section headed "Information on Prosper Harvest and the Hotel" in the Letter from the Board.

As set out in the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**"), the Group's significant investments and principal business activities mainly comprised hotel ownership business undertaken through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings and the interest in the retained houses in Regalia Bay in Stanley, aircraft ownership and leasing business, and other investments including financial assets investments.

1.1.1 Historical financial performance of the Group

Set out below is a summary of the Group's consolidated statement of profit or loss for the year ended 31 December 2015 and 2016 extracted from the 2016 Annual Report.

(HK$' million)	**For the year ended 31 December 2016**	**For the year ended 31 December 2015**
Revenue	2,617.1	2,471.8
Gross profit	1,188.4	1,122.1
Other income and gain, net	112.9	168.6
Fair value gain upon reclassification of a property held for sale to an investment property	58.5	—
Administrative expenses	(276.9)	(250.8)
Operating profit	456.8	535.1
Profit before tax	282.1	196.8
Profit after tax	240.8	159.9
attributable to		
- equity holders of the parent	**213.7**	**119.0**
- non-controlling interests	**27.1**	**40.9**

As set out in the 2016 Annual Report, the Group recorded revenue of approximately HK$2,617.1 million for the year ended 31 December 2016, representing an increase of approximately 5.9% compared to approximately HK$2,471.8 million for the year ended 31 December 2015. The increase in revenue was mainly attributable to the increase in net gain from sale of financial assets at fair value through profit or loss and the sale of properties. For the year ended 31 December 2016, the Group recorded gross profit of approximately HK$1,188.4 million, representing an increase of approximately 5.9% compared to approximately HK$1,122.1 million for the year ended 31 December 2015.

The Group recorded administrative expenses of approximately HK$276.9 million for the year ended 31 December 2016, representing an increase of approximately 10.4% compared to approximately HK$250.8 million for the year ended 31 December 2015. The Group also recorded other income and gain (net) of approximately HK$112.9 million for the year ended 31 December 2016, representing a decrease of approximately 33.0% compared to approximately HK$168.6 million for the year ended 31 December 2015. In addition, the Group recorded fair value gain upon reclassification of a property held for sale to an investment property of approximately HK$58.5 million for the year ended 31 December 2016 compared to nil for the year ended 31 December 2015.

The profit before tax of the Group for the year ended 31 December 2016 amounted to approximately HK$282.1 million, representing an increase of approximately 43.3% compared to approximately HK$196.8 million for the year ended 31 December 2015. For the year ended 31 December 2016, the Group recorded profit attributable to the Shareholders of approximately HK$213.7 million, representing an increase of approximately 79.6% as compared to HK$119.0 million for the corresponding prior year.

The increase in profitability was primarily attributable to a share of profits of joint ventures of approximately HK$233.1 million for the year ended 31 December 2016, up from approximately HK$14.2 million for the year ended 31 December 2015, which more than offset the decrease in revenue from the Group's hotel operation and management and hotel ownership segment, from approximately HK$2,171.3 million for the year ended 31 December 2015 to approximately HK$2,156.9 million for the year ended 31 December 2016.

1.1.2 Historical financial position of the Group

Set out below is a summary of the Group's consolidated statements of financial position as at 31 December 2015 and 2016 extracted from the 2016 Annual Report.

(HK$' million)	**As at 31 December**	
	2016	**2015**
Total non-current assets	**21,234.7**	**20,618.1**
- Property, plant and equipment	15,330.7	15,875.6
- Investments in joint ventures	3,146.8	3,327.6
- Other loan	1,350.0	—
- Investment properties	1,026.0	1,070.0
Total current assets	**6,564.7**	**4,724.5**
- Cash and cash equivalents *(Note)*	4,029.3	1,573.2
- Financial assets at fair value through profit or loss	918.4	795.6
Total current liabilities	**3,035.0**	**740.3**
- Other borrowings	2,281.7	—
Total non-current liabilities	**11,882.2**	**11,580.7**
- Interest bearing bank borrowings	6,170.7	6,187.0
- Other borrowings	4,621.3	4,241.9
Total equity	**12,882.2**	**13,021.6**
- Equity attributable to equity holders of the Company	11,828.4	11,863.0
- Non-controlling interests	1,053.8	1,158.6

Note: Cash and cash equivalents balance included restricted cash, pledged time deposits and bank balances, time deposits and cash and bank balances.

As at 31 December 2016, the Group's total assets amounted to approximately HK$27,799.4 million as compared to approximately HK$25,342.6 million as at 31 December 2015, representing a year-on-year increase of approximately 9.7%.

The non-current assets of the Group as at 31 December 2016 amounted to approximately HK$21,234.7 million (2015: approximately HK$20,618.1 million), approximately 87.0% of which was attributable to property, plant and equipment, and investments in joint ventures. The largest item under non-current assets of the Group was property, plant and equipment, which remained largely stable at approximately HK$15,875.6 million and HK$15,330.7 million as at 31 December 2015 and 2016, respectively. The current assets of the Group as at 31 December 2016 amounted to approximately HK$6,564.7 million (2015: approximately HK$4,724.5 million), approximately 75.4% of which were attributable to cash and cash equivalents balance, and financial assets at fair value through profit or loss. The single largest item under the current assets of the Group was time deposits, which amounted to approximately HK$2,595.1 million as at 31 December 2016, representing an increase of approximately HK$2,194.9 million compared to approximately HK$400.2 million as at 31 December 2015.

Total liabilities as at 31 December 2016 amounted to approximately HK$14,917.2 million, as compared to approximately HK$12,321.0 million as at 31 December 2015, representing a year-on-year increase of approximately 21.1%. The aforesaid movement was largely attributable to an increase in the aggregate other unsecured borrowings of approximately HK$2,661.1 million.

The Group recorded current liabilities of approximately HK$3,035.0 million as at 31 December 2016 compared to approximately HK$740.3 million as at 31 December 2015, such increase was primarily attributable to an increase in other borrowings of approximately HK$2,281.7 million (2015: nil). This was related to the reclassification of the medium term notes of an outstanding nominal principal amount of US$295 million and maturing in October 2017 from non-current liabilities as at 31 December 2015 to current liabilities as at 31 December 2016. The Group also recorded non-current liabilities of approximately HK$11,882.2 million as at 31 December 2016, having taken into account the aforesaid reclassification of the medium term notes maturing in October 2017 and the issue of a new series of medium term notes of an aggregate nominal principal amount of US$350 million and maturing in July 2021, which was largely in line with the non-current liabilities balance of approximately HK$11,580.7 million as at 31 December 2015.

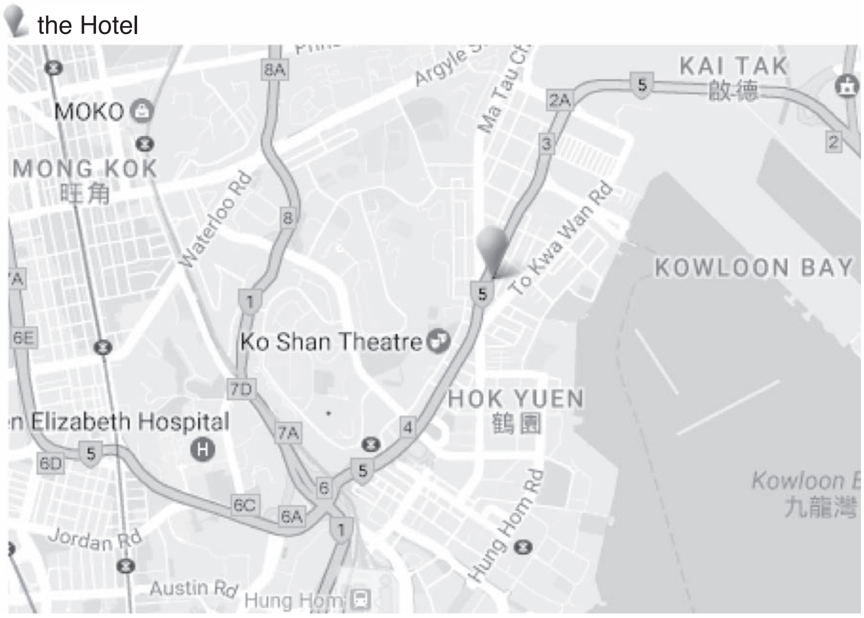
As a result of the foregoing, the Group's net assets attributable to owners of the Company was approximately HK$11,828.4 million as at 31 December 2016, compared to approximately HK$11,863.0 million as at 31 December 2015.

1.2 *Information on the Prosper Harvest Group and the Hotel*

As set out in the Letter from the Board, Prosper Harvest was incorporated in the British Virgin Islands in May 2011. The Prosper Harvest Group is engaged in the investment and development of the Hotel. Prosper Harvest is the sole owner of Leading Brand which in turn holds the entire issued share capital of Land Crown. Land Crown is the sole owner of the Land and the developer of the Hotel with the following key specifications:

Location: No. 8 Ha Heung Road (formerly known as Nos. 8, 8A, 10, 10A, 12 and 12A, Ha Heung Road), Kowloon, Hong Kong

Located in the To Kwa Wan area and in close proximity to Mong Kok, Jordan, Hung Hom and Tsim Sha Tsui districts. The Hotel offers scheduled shuttle bus service and easy access to public transportation.



Source: Google Maps

No. of guestrooms: 340

No. of storeys: 22 storeys (including basement and ground floor)

Gross floor area: Approximately 6,298 square metres

Covered floor area: Approximately 9,490 square metres

Facilities: Lounge, computer area and fitness area

The occupation permit for the Hotel was issued by the Building Authority on 23 November 2016 and the Hotel Licence was issued on 17 May 2017. The Hotel commenced operations on 23 May 2017. It is branded as a "iclub by Regal" (富薈酒店) hotel, which is positioned as an upscale select-service hotel brand targeting business and leisure travellers. These hotels (i.e. iclub by Regal hotels) offer good value for money lodging, whilst featuring contemporary, chic, trendy, stylish and modern décor and design, and a pleasant travel experience that meets their target customers' needs.

Prosper Harvest recorded consolidated net loss (both before and after tax) of approximately HK$63,000 for the year ended 31 December 2015 and approximately HK$136.3 million for the year ended 31 December 2016. As at 31 December 2016, Prosper Harvest had consolidated net liabilities of approximately HK137.3 million.

1.3 *Overview of Hong Kong tourism industry*

Hong Kong's tourism industry has experienced challenges in the past several years. According to figures published by the Hong Kong Tourism Board, in 2016, visitors declined by approximately 4.5% year-on-year to approximately 56.7 million. While visitors from the PRC decreased by approximately 6.7% in 2016, non-PRC visitors increased by approximately 3.1% over the same period. In particular, visitor numbers from South Korea and several Southeast Asian countries increased by over 10% in 2016, and visitor numbers from Europe, North America, Japan and Australia showed more modest increases. Notwithstanding the above, approximately 75.5% of total visitors to Hong Kong in 2016 were from the PRC (decreased from approximately 77.2% in 2015), indicating that the tourism industry in Hong Kong remains heavily reliant on visitors from, and the economy in, the PRC.

The decline in visitor arrivals from the PRC in 2016 was partially due to stricter visa policies enforced since 2015, in which permanent residents from Shenzhen were limited from multiple entries to one visit a week. Other factors included a strong Hong Kong Dollar which increased the costs of traveling to and spending in Hong Kong, incidents which affected Hong Kong's hospitable reputation, and slowing economic growth in the PRC. However, according to Asia Development Bank estimates, the gross domestic product ("**GDP**") for Asia is forecasted to grow by approximately 5.7% in 2017 and 2018, as the PRC's forecasted continuing moderation in economic growth is balanced by expected robust growth in other Asian markets. Despite the deceleration in GDP growth in the PRC (7.3% in 2014, 6.9% in 2015 and 6.7% in 2016), the PRC government has ensured stability through targeted fiscal and monetary support, and its current five-year plan includes enhanced structural reforms with a view to boosting productivity and sustain growth.

Improvements are being made to attractions, including the ongoing expansion projects at Hong Kong Disneyland and Ocean Park, gentrification and revitalisation of areas such as Sham Shui Po, Sai Ying Pun and Wan Chai, and the development of the planned retail and entertainment complex near the Hong Kong International Airport. Hong Kong's transportation infrastructure is also being upgraded to improve the overall travel experience. Notable recent and current projects include the South Island Line, the Shatin to Central Link, the Hong Kong International Airport third runway and expansion, the Guangzhou-Shenzhen-Hong Kong Express Rail Network, and the Hong Kong-Zhuhai-Macao Bridge. Based on the Travel & Tourism Competitive Index 2017, Hong Kong is ranked 3rd in the Asia-Pacific region and 11th globally.

As set out in its 2017-18 Budget, the Hong Kong government has increased funding for tourism development and the Hong Kong Tourism Board has taken other measures to boost the attractiveness and quality of Hong Kong as a tourist destination, including organising and supporting more "mega events" and schemes celebrating Hong Kong's diversity and dynamism. Other initiatives include collaborating with media personalities and organisations in the PRC to generate positive stories and word-of-mouth advocacy, promoting the "Quality Tourism Services Scheme" and "Quality and Honest Hong Kong Tours", and establishing the Matching Fund for Overseas Tourism Promotion by Tourist Attractions Scheme.

In addition, we noted from publication by the Hong Kong government that it is committed to enhance the appeal of Hong Kong as an ideal meetings, incentive travels, conventions and exhibitions ("**MICE**") destination in Asia. Funding has been earmarked for raising Hong Kong's MICE profile and strengthen support to MICE events to be hosted in Hong Kong. Hong Kong's main venues for MICE events are the AsiaWorld-Expo near the airport, the Hong Kong Convention and Exhibition Centre in Wan Chai, and the Kowloonbay International Trade and Exhibition Centre in Kowloon Bay, all of which are equipped with purpose-built meeting, convention and exhibition facilities.

Furthermore, with the upcoming Kai Tak Development, an integrated development with community, housing, business, tourism and infrastructural elements covering a total planning area of over 320 hectares covering the ex-airport site together with the adjoining hinterland districts of Kowloon City, Wong Tai Sin and Kwun Tong, in addition to the existing Kai Tak Cruise Terminal. In view of the above, they should have a positive impact on Hong Kong's tourism industry in the long run.

Having considered the above, whilst acknowledging the recent challenging environment experienced by the Hong Kong tourism industry, the Management is optimistic about the long term prospects of the Hong Kong tourism industry.

2. **Reasons for and benefits of the Transaction**

The Group is principally engaged in hotel ownership through Regal REIT (a listed subsidiary of the Company), and hotel management and operation. It also engages in property development and investment, as well as asset management of Regal REIT, aircraft ownership and leasing business, and securities and other investments. Owned as to approximately 74.6% by the Company as at the Latest Practicable Date, Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the SFO and its units have been listed on the Stock Exchange since 30 March 2007. Its principal activity is to own and invest in income-producing hotels, hospitality-related properties and other commercial properties with the objectives of producing stable and growing distributions to the unitholders of Regal REIT and to achieve long-term growth in the net asset value per unit of Regal REIT. The Manager is a wholly-owned subsidiary of the Company and is the manager of Regal REIT. The Directors consider that the Transaction provides an opportunity for the Group (through Regal REIT) to consolidate its interest in the Hotel which will be managed and operated by the Group.

In addition to the above, the reasons for and benefits of the Transaction as advised by the Management, which we have examined and agreed, are as follows:

2.1 *Enables the Group to further leverage on Hong Kong's position as a premier tourist destination*

As set out in the 2016 Annual Report, the Group currently owns and operates eight hotels, through its listed subsidiary, Regal REIT, in Hong Kong and intends to continue expanding its presence in Hong Kong. Notwithstanding the challenging conditions faced by the Hong Kong tourism and hotel industry over the past two years, visitor arrivals to Hong Kong reverted back to growth in the last quarter in 2016, following five consecutive quarters of decline. Together with the Hong Kong government's efforts to continue enhancing Hong Kong's tourist attractions and transport infrastructure, the Management believes in the resilience of Hong Kong and its ability to maintain its position as a favoured tourist destination for both business and leisure travellers. The Transaction affirms the commitment of the Group to maintain its positon as a prominent hotel owner and operator group in Hong Kong.

2.2 *Opportunity to enhance the reputation and strength of the Group's iclub brand*

As advised by the Management, the Hotel will be the Group's fourth property in Hong Kong to be marketed under the "iclub" brand. While the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel experienced challenging market conditions when they opened in 2014, their business performances gradually stabilized and improved, as shown by their combined average occupancy rate increasing year-on-year by about 3.6 percentage points to 89.1% in 2016. In addition, the iclub Wan Chai Hotel continued to be well-received in 2016, having maintained a high year-round average occupancy rate of 98.5%. In view of the above, the Management sees the Hotel as a good opportunity to continue to strengthen the awareness and footprint of the Group's iclub brand in Hong Kong going forward.

2.3 *Provides the Group with a footprint in an up and coming neighbourhood*

Located in Ma Tau Wai, the Hotel is conveniently situated along the route of the Shatin to Central Link, which is scheduled to be open in 2019. Additionally, the Hotel is in close proximity to To Kwa Wan, the Kai Tak Cruise Terminal, and the former Kai Tak Airport (i.e. the upcoming Kai Tak Development) — areas where major urban redevelopment and renewal projects have been carried out recently or are planned in the near future. The Management believes that the above factors will enhance the quality and attractiveness of the area to tourists, hence increasing visitor numbers, as well as create potential capital appreciation opportunities for properties located in the area.

3. The Transaction contemplated under the S&P Agreement

3.1 *Principal terms of the S&P Agreement*

On 29 June 2017, P&R Holdings (as vendor) and the Trustee (in its capacity as trustee of Regal REIT, as purchaser), among other parties, entered into the S&P Agreement pursuant to which the Trustee agreed to acquire the entire issued share capital of and the shareholder loan to Prosper Harvest for a consideration of HK$1,360 million, plus a current assets adjustment (details of which are set out under the section headed "The Transaction — S&P Agreement — Consideration" in the Letter from the Board).

The table below sets out a summary of the salient principal terms:

Assets to be acquired:	1. The entire issued share capital of Prosper Harvest 2. The Shareholder Loan as at the date of Completion which amounted to approximately HK$1.0 billion as at the Latest Practicable Date. Upon Completion, Prosper Harvest will be wholly owned by Regal REIT and will become a subsidiary of the Company.
Consideration:	HK$1,360 million, plus an amount equal to the current assets (being the aggregate of all receivables, refundable utility and other deposits placed with relevant authorities or suppliers in connection with the Hotel) of the Prosper Harvest Group as at Completion which shall be capped at HK$2 million.
Deposit and payment terms:	The Trustee has paid the Deposit to P&R Holdings in cash. The Deposit has not been deposited into an escrow account, and pursuant to the S&P Agreement, the Deposit may be used by P&R Holdings without restriction. The Deposit (without accrued interest, if any) shall be refunded in full by P&R Holdings to the Trustee within ten Business Days after termination of the S&P Agreement in certain circumstances such as any of the conditions precedent not being satisfied (or waived) on or before the Long Stop Date. The Guarantors have guaranteed the obligations of P&R Holdings pursuant to the S&P Agreement, and this would include the refund of such Deposit. At Completion, the Deposit shall be applied on a dollar-for-dollar basis towards the Trustee's obligation to pay the total consideration for the Transaction. Payments of the Deposit and the remaining balance of the consideration will be financed by (a) existing and/or new bank facilities secured against the Hotel and/or other assets held by Regal REIT; and (b) Regal REIT's internal resources.

P&R Holdings and the Guarantors will at Completion, enter into a deed of tax indemnity in favour of the Trustee and the Prosper Harvest Group. Pursuant to the deed, P&R Holdings and the Guarantors (on a several basis in equal proportions) will covenant, undertake and agree with the Trustee and the Prosper Harvest Group that they will indemnify on demand the Trustee and the Prosper Harvest Group in respect of, among other things, any tax liability resulting from or by reference to any event occurring on or before Completion or in respect of any income, profits or gains earned, accrued or received by the Prosper Harvest Group on or before Completion. A claim can be made on or prior to the seventh anniversary of the deed, save for certain stamp duty-related claims for which there is no limitation period.

For further details of the S&P Agreement, including conditions precedent, completion, representation, warranties and indemnity, guarantee, please refer to the section headed "S&P Agreement" in the Letter from the Board. For further details of the Consideration, please refer to the section headed under "3.3 Analysis on the Consideration" below, including the sub-section headed "(ii) Comparison with adjusted net asset value of the Prosper Harvest Group".

3.2 *Other Transaction related agreements*

We understand from the Management that as part of the arrangement under the Transaction, the Lessee (a wholly-owned subsidiary of the Company) will upon Completion lease the Hotel from Land Crown (which will become an indirect wholly-owned subsidiary of Regal REIT then). The lease will be for a term of 5 years (the "**Initial Lease Term**") commencing on the date of Completion and may be extended at Land Crown's sole discretion for a further term up to 31 December 2027. Pursuant to the Lease Agreement, the annual rent payable by the Lessee to Land Crown amounts to HK$54.4 million, HK$57.8 million, HK$61.2 million, HK$64.6 million and HK$68.0 million (representing 4.0%, 4.25%, 4.5%, 4.75% and 5.0% of the Consideration (excluding the current assets adjustment) for the Transaction). We note from the circular of the Company dated 29 June 2013 in relation to, among others, the major and connected acquisition of the iclub Sheung Wan Hotel (the "**2013 Acquisition**"), that, similar to the Transaction, upon completion of the 2013 Acquisition, the Lessee (a wholly-owned subsidiary of the Company) leased the iclub Sheung Wan Hotel from the hotel owner (i.e. the lessor, a wholly-owned subsidiary of Regal REIT). Pursuant to the aforesaid lease agreement under the 2013 Acquisition, the annual rental payable by the Lessee to the lessor was fixed at 5%, 5.25% and 5.5% of the purchase price during the first three years of the term of the subject lease, respectively. Furthermore, based on the published information of the hotel portfolio of Regal REIT, we noted that the estimated yield of Regal REIT's hotel portfolio as calculated by the total net rental and hotel income of the hotel portfolio for the years ended 31 December 2015 and 2016 divided by the total market value of such hotel portfolio as at the corresponding year end dates was approximately 4.4% and 4.2%, respectively (the "**Historical Hotel Yields**")[1]. On this basis, the rental

[1] The Historical Hotel Yields were calculated by dividing the hotel portfolio's total net rental and hotel income (for the years ended 31 December 2015 and 2016, being approximately HK$971.6 million and HK$943.9 million, respectively) by the total market valuation (as of 31 December 2015 and 2016, being approximately HK$22,072 million and HK$22,222 million, respectively), as disclosed in Regal REIT's 2015 and 2016 annual reports, respectively. As the net rental and hotel income of the individual hotels within the hotel portfolio was not disclosed, the hotel yields for the individual hotels within the hotel portfolio was not available.

payable by the Lessee, being a wholly-owned subsidiary of the Company, under the Lease Agreement is not less favourable than that of the lease payment under the lease agreement in connection with the 2013 Acquisition and that the range of annual rental payable of approximately 4.0% to 5.0% under the Lease Agreement is largely in line with the Historical Hotel Yields of the hotel portfolio of Regal REIT of approximately 4.2% to 4.4%. Given that (i) the branding, pricing strategy, facilities, range of services offered, management and target customers could vary significantly from hotel to hotel; and (ii) not all required information to calculate the hotel yields are publicly available for all relevant hotels, we have not used the hotel yields of independent third parties when opining on the rental payable under the Lease Agreement.

If the Initial Lease Term is extended, the rent payable in respect of each year of such extended lease term will be determined based on a market rental review performed by an independent professional property valuer jointly appointed by the Lessee and Land Crown.

Subject to the Lease Agreement becoming and remaining effective and the Lessee committing no default and breach under the Lease Agreement during the first 5 years of the lease term under the Lease Agreement (each a "**Lease Year**"), if at the end of each Lease Year there is any shortfall (the "**Shortfall**") of the total cumulative net income derived by the Lessee from the Hotel (the "**Total Net Income**") below the total cumulative payments (including rent) under the Lease Agreement (the "**Total Payments**"), P&R Holdings shall within 3 months from the end of each Lease Year reimburse such Shortfall or additional Shortfall (from the previous Lease Year end) to the Lessee during the first 5 years of the lease. If the Shortfall is reduced (from the previous Lease Year end), the Lessee shall refund an amount equal to such reduction to P&R Holdings. Such amount of reimbursement or refund, if any, shall be payable by P&R Holdings to the Lessee or by the Lessee to P&R Holdings (in case of refund) within 7 days after the receipt from the Lessee of a calculation schedule as certified by the directors of the Lessee (or certified by auditors if so requested by P&R Holdings), which shall be conclusive save for any manifest mistake.

It is also intended that a hotel management agreement will be entered into between the Lessor, the Lessee, the Company and the hotel manager (being a wholly owned subsidiary of the Company, which is also the hotel manager of the Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, and Regal Oriental Hotel, the iclub Wan Chai Hotel, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel), simultaneously with the Lease Agreement. As advised by the Management, while the Lessee is entitled to the net income generated by the Hotel during the lease term, the Hotel will be managed by the hotel manager (for a management fee) after Completion.

3.3 *Analysis on the Consideration*

As set out in the Letter from the Board, the Consideration shall be HK$1,360 million, plus an amount equivalent to the current assets (being the aggregate of all receivables, refundable utility and other deposits placed with relevant authorities or suppliers in connection with the Hotel) of the Prosper Harvest Group as at Completion which shall be capped at HK$2 million. As at 30 April 2017, the current assets of the Prosper Harvest Group amounted to approximately HK$1.3 million. Apart from the Hotel and the current assets, the Prosper Harvest Group does not hold any other assets. P&R Holdings and the Guarantors have warranted that the Prosper Harvest Group shall not have any liabilities other than the Shareholder Loan at Completion.

As further set out in the Letter from the Board, the Consideration was determined after arm's-length negotiation between the parties taking into account (i) the valuation of the Hotel of HK$1,400 million as of 23 June 2017 as appraised by Colliers (the "**Valuer**"); (ii) the Shareholder Loan to be acquired by Regal REIT pursuant to the Transaction; (iii) that the Prosper Harvest Group shall not have any liabilities other than the Shareholder Loan at Completion; and (iv) the previous transactions involving the sale and purchase of Prosper Harvest Group.

(i) *Valuation of the Hotel*

As per the independent valuation report set out in Appendix I "Independent Property Valuer's Report on the Hotel" to the Circular (the "**Valuation Report**"), the valuation of the Hotel was HK$1,400 million as of 23 June 2017. In assessing the Consideration, we have reviewed and discussed with the Valuer the methodology of, and basis and assumptions adopted for, the valuation of the Hotel as set out in the Valuation Report. Moreover, we have discussed with the engagement team of the Valuer as to their expertise and related valuation experience (further details of which are set out in the Valuation Report). Furthermore, the Valuer has confirmed their independence and we have also reviewed the terms of the engagement and assessed the appropriateness of the scope of the work carried out by the Valuer which include the valuation of the Hotel for the purpose of inclusion in the Circular.

As set out in the Valuation Report, the valuation is carried out in accordance with "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors, and is in compliance with the requirements contained in Chapter 5 of the Listing Rules, and Chapter 6.8 of the Code on Real Estate Investment Trusts issued by the SFC.

For the purpose of the valuation, the Valuer has adopted the Income Approach — Discounted Cash Flow Analysis ("**Valuation Analysis**"). This approach is defined in the "International Valuation Standards" as a financial modelling technique based on explicit assumptions regarding the prospective cash flows from income generating properties. This analysis involves the projection of a series of periodic cash flows for an income generating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the rental income stream associated with the property.

In the case of the Hotel, which is held for long term investment, the Valuer has undertaken a Valuation Analysis on an annual basis over a ten-year investment horizon, where periodic cash flow is typically estimated as gross income less operating expenses and other outgoings. The series of periodic net operating income, along with an estimate of the reversionary or terminal value anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. The discount rate adopted by the Valuer was 6.5% which reflects the time value of money in the Valuation Analysis and the risk premium for the forecast cash flow to be materialised.

The Valuer has assumed that the Hotel is sold at the commencement of the eleventh year of the cash flow and the net income in the eleventh year has been capitalised at a terminal capitalisation rate to derive the capital value at the end of the tenth year (i.e. at the end of the investment period), which is a common market practice as per the Valuer. We understand from the Valuer that the adopted terminal capitalisation rate of 3.5% was determined after mainly taking into account the yields achieved in prior market sales of hotel premises which the Valuer has analysed, as well as the Valuer's knowledge of the market expectations for such properties. The capital value is discounted at the aforementioned discount rate. The Valuer also advised that based on the prevailing property market in Hong Kong, the adoption of a ten-year period is a common practice and a reasonable holding period when assessing an income generating property such as a hotel, which allows (i) for the stabilisation of income over such a holding period; and (ii) for an investor to make an assessment of the long-term return (which also takes capital growth into account) that is estimated to be derived from the Hotel.

In connection with the above, we have conducted analysis on, and discussed with the Valuer, the key assumptions of the Valuation Analysis, namely (i) the occupancy rate, the average daily rate and the related growth rates (being income related assumptions) which are primarily based on the other "iclub by Regal" branded hotels and similar hotels in Hong Kong; (ii) the cost of goods sold and operating expense ratios (being expense related assumptions) which are primarily based on other "iclub by Regal" branded hotels and similar hotels in Hong Kong, with reference to the Hong Kong Hotel Industry Summary 2015 (from the Hong Kong Hotel Industry Survey); and (iii) the discount rate (which is based on the (a) risk free rate of approximately 1.4%, where we have checked against the prevailing yield of 10-year Hong Kong Exchange Fund Notes, being between approximately 1.3% and 1.4%, and agreed with the Valuer that using a risk free rate of 1.4% is reasonable; (b) expected inflation of approximately 3.0%, where we have checked against the annual changes in the composite Consumer Price Index over the past ten years as published by the Census and Statistics Department, which ranged from 0.5% to 5.3% with an average of approximately 3.3%, and considered to be reasonable; and (c) a risk rate assigned to the Hotel property of 2.1%, where the Valuer applied the excess of the average hotel market yield over the risk free rate based on several market sale transactions in Hong Kong involving hotels within the last 24 months, extracted from the subscribed international commercial real estate database of Real Capital Analytics, Inc., which we reviewed and considered to be reasonable), and termination capitalisation rate (which is based on the Valuer's database as well as with reference to various hotel transactions in Hong Kong) (being general assumptions). We have obtained and reviewed the relevant source operating data from the Valuer and/or the Company (where relevant), and having discussed and confirmed with the Valuer the reasonableness of the key assumptions, understand the Valuer's rationale and underlying data used.

We also note that this analysis has been cross-checked by the Valuer using the Market Approach assuming sale of the Hotel in its existing state and by making reference to comparable sale transactions as available in the relevant market. By analysing sales which qualify as "arm's-length" transactions, between willing buyers and sellers, relevant adjustments are made when comparing such sales against the Hotel. The Valuer confirms that it is common valuation practice to use a second valuation approach (i.e. the Market Approach in this case) to validate the appraised value arrived at from the primary approach (i.e. the Income Approach in this case).

We understand from and agree with the Valuer that the Income Approach is an appropriate and commonly adopted methodology for the valuation of income generating properties such as the Hotel. We further understand and also agree that the assumptions and bases used in (i) generating the forecasted cash flows of the Hotel over the ten-year investment horizon; and (ii) the aforementioned discount rate and terminal capitalisation rate are reasonable, on the basis that they are consistent with the Valuer's knowledge of the Hotel, as well as the Valuer's knowledge of the market expectation and yields achieved in analysed market sale of similar properties.

We consider that the methodology used is generally in line with market practice taking into account relevant recent transacted prices of properties similar to the Hotel and that the bases and assumptions adopted are reasonable. Based on the foregoing, we are of the view that the Valuation Report by the Valuer has an appropriate basis for our assessment on the fairness and reasonableness of the terms, including the Consideration, under the Transaction.

(ii) *Comparison with adjusted net asset value of the Prosper Harvest Group*

Pursuant to the S&P Agreement, the Purchaser shall acquire the entire issued share capital of Prosper Harvest and the Shareholder Loan as at the date of Completion at the Consideration.

The following table illustrates our calculation of the adjusted net asset value of the Prosper Harvest Group (the "**Adjusted NAV**") based on information provided by the Company and the comparison of the Consideration (before current assets adjustment) against the Adjusted NAV.

	HK$'million
Consideration (before current assets adjustment)	**1,360.0**
Net liabilities of the Prosper Harvest Group ("**Net Liabilities**") based on unaudited management accounts for the four months ended 30 April 2017 (the "**April 2017 Management Account**")	(137.3)
Shareholder Loan based on the April 2017 Management Account	1,000.0
Net Liabilities plus Shareholder Loan (a)	**862.7**
Valuation of the Hotel (as per the Valuation Report)	1,400.0
Book value of the Hotel as at 30 April 2017	(861.3)
Excess of the valuation over the book value of the Hotel (b)	**538.7**
Adjusted NAV (= a + b)	**1,401.4**

The Adjusted NAV is approximately HK$1,401.4 million, being the unaudited net liabilities of the Prosper Harvest Group of approximately HK$137.3 million as at 30 April 2017 after taking into account the following adjustments, namely (i) adding the Shareholder Loan of approximately HK$1,000.0 million as at 30 April 2017; (ii) adding HK$1,400.0 million, being the appraised value of the Hotel as at 23 June 2017, as set out in the Valuation Report; and (iii) subtracting the book value of the Hotel as at 30 April 2017 of approximately HK$861.3 million.

As advised by the Management, and as agreed by us, the Adjusted NAV is an appropriate reference point for assessing the fairness and reasonableness of the Consideration.

As set out in the Letter from the Board, the Consideration was determined after arm's-length negotiation between the parties taking into account the valuation of the Hotel of HK$1,400 million as of 23 June 2017 as appraised by the Valuer and the Shareholder Loan to be acquired by Regal REIT pursuant to the Transaction and that the Prosper Harvest Group shall not have any liabilities other than the Shareholder Loan at Completion. Furthermore, the Consideration is less than the Adjusted NAV (the calculation of which is set out above). On this basis, we are of the view that the Consideration is fair and reasonable.

3.4 *Possible financial effects of the Transaction*

(i) *Earnings*

Upon Completion, Prosper Harvest will become a wholly-owned subsidiary of Regal REIT, a non wholly-owned subsidiary of the Company, and the financial statements of the Prosper Harvest Group will be consolidated into the consolidated financial statements of the Group after Completion.

As set out in the Letter from the Board, the Hotel Licence was issued on 17 May 2017. As the Hotel was still in its development stage during the year ended 31 December 2016, Prosper Harvest recorded consolidated net loss after taxation of approximately HK$136.3 million for the year ended 31 December 2016. Profit/loss generated by Prosper Harvest post Completion, subject to adjustments upon consolidation, will increase/decrease the overall earnings of the Group, as the case may be. While any rental income under the Lease Agreement payable by the Lessee to Regal REIT will be eliminated upon consolidation, the hotel income of the Hotel will be consolidated into the financial statements of the Group.

We understand that as part of the arrangement under the Transaction, the Lessee (a wholly-owned subsidiary of the Company) will lease the Hotel from Land Crown upon Completion. Pursuant to the Lease Agreement, the annual rent payable by the Lessee to Land Crown for each of the first five years of the lease term would amount to HK$54.4 million, HK$57.8 million, HK$61.2 million, HK$64.6 million and HK$68.0 million (representing 4.0%, 4.25%, 4.5%, 4.75% and 5.0% of the Consideration (before current assets adjustment) for the Transaction, respectively.

(ii) *Net asset value*

On the basis that Prosper Harvest becomes a wholly-owned subsidiary of Regal REIT, a non wholly-owned subsidiary of the Company upon Completion, all assets and liabilities of the Prosper Harvest Group will be consolidated into that of the Group. Upon Completion, the asset balances, such as property, plant and equipment of the Group will increase while the total borrowings will be increased by the amount utilised for the settlement of the Consideration and the cash balance will be reduced by (a) the payment of the Transaction-related expenses; and (b) a current assets adjustment to the Consideration which shall be capped at HK$2 million.

Assuming there will be no significant changes in the fair value of the Hotel (as compared to the Valuation in the Valuation Report) on Completion, and given the Transaction will be financed by debt and/or Regal REIT's internal resources, the acquisition of the Hotel is expected to be generally net asset value-neutral. Hence, the Management does not expect a material change to the net asset value of the Group immediately upon Completion.

Following Completion, the Hotel will be accounted for as an investment property of Regal REIT. Its value will be stated at fair value, which reflects market conditions, at the end of each reporting period. Hence, any changes in the fair value of the Hotel will affect the net asset value of Regal REIT. However, we understand from the Management that as the Hotel will be accounted for as property, plant and equipment of the Group upon consolidation, it will not be subject to fair value adjustment, but will be subject to future depreciation charges.

(iii) *Working capital*

As set out in the Letter from the Board, the Consideration shall be satisfied in cash, which will be financed by (a) existing and/or new bank facilities secured against the Hotel and/or other assets held by Regal REIT; and/or (b) Regal REIT's internal resources. Upon Completion, the total borrowings will be increased by the amount utilised for the settlement of the Consideration and the cash balance will be reduced for (a) the payment of the Transaction-related expenses; and (b) a current assets adjustment to the Consideration which shall be capped at HK$2 million.

Given that the Hotel will be accounted for as an investment property of Regal REIT following Completion, and that the Consideration shall be satisfied with debt and/or Regal REIT's internal resources, we understand that Management does not expect a material change to the working capital of the Group immediately upon Completion.

V. RECOMMENDATION

Having considered the principal factors and reasons as set out in this letter, in particular,

(i) the factors as set out under section "2. Reasons for and benefits of the Transaction" set out in this letter;

(ii) the Consideration was determined after arm's-length negotiation between the parties taking into account the appraised value of the Hotel of HK$1,400 million as of 23 June 2017, as set out in the Valuation Report, and that the Prosper Harvest Group shall not have any liabilities other than the Shareholder Loan at Completion pursuant to the Transaction;

(iii) the Consideration is less than the Adjusted NAV as per the calculation set out under section headed "(ii) Comparison with adjusted net asset value of the Prosper Harvest Group" in this letter; and

(iv) the expected financial effects to the Group as a result of the completion of the Transaction, we consider the Transaction to be on normal commercial terms which are fair and reasonable and in the ordinary and usual course of business of the Group, as well as in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the Transaction at the SGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Lewis Lai
Managing Director
Corporate Finance

Mr. Lewis Lai of Investec Capital Asia Limited is a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 10 years, and has been involved in and completed various corporate finance advisory transactions.

The following is the text of the Independent Property Valuation Report received from Colliers International (Hong Kong) Limited, prepared for the purpose of inclusion in this circular, in connection with the valuation of the Hotel as at 23 June 2017.

Colliers International (Hong Kong) Limited

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong

TEL 852 2822 0525
FAX 852 2107 6017

9 August 2017

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

Attn: Board of Directors

Dear Sirs,

Re: Valuation of iclub Ma Tau Wai Hotel in Hong Kong (the "Property")

Instructions

In accordance with the instructions for us to value the Property, we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for providing you with our opinion of the Market Value of the leasehold interests of the Property in its existing state, as at 23 June 2017 (the "Valuation Date") for the purpose of incorporation in a circular.

We hereby confirm that:

- We have no present or prospective interest in the Property and are not a related corporation of nor have a relationship with Regal Hotels International Holdings Limited (the "Company").

- We are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.

- The valuation has been prepared on a fair and unbiased basis.

Basis of Valuation

Our valuation of the Property represents the Market Value, which is defined by the The Hong Kong Institute of Surveyors ("HKIS") as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Standards

The valuation is carried out in accordance with "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors; and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; and Chapter 6.8 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in August 2014.

Valuation Rationale

In the course of our valuation, we have adopted the Income Approach — Discounted Cash Flow ("DCF") Analysis. This approach is defined in the International Valuation Standards as a financial modelling technique based on explicit assumptions regarding the prospective cash flows from income generating properties. This analysis involves the projection of a series of periodic cash flows for an income generating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the rental income stream associated with the property.

As the Property is held for long term investment, we have undertaken the DCF Analysis on an annual basis over a ten-year investment horizon which is a common market practice and a reasonable investment holding period for a property based on the prevailing property market in Hong Kong. This ten-year period analysis allows the stabilization of income over such period and an investor or owner to make an assessment of the long-term return of the property taking into account capital growth.

In the case of our valuation of the Property, annual cash flow of the Property is typically estimated as its gross income less operating expenses and other outgoings. The annual gross income over the ten-year period mainly includes revenues generated from hotel rooms taking into account the projected annual occupancy rate and annual growth in daily room rate with reference to the other "iclub by Regal" hotels and similar hotels in Hong Kong. The annual operating expenses and other outgoings which mainly include payroll and related expenses, sales and marketing, utilities, repair and maintenance, insurance, furniture, fixtures and equipment reserve, hotel management fees and Government rates and rent are also derived with reference to other "iclub by Regal" hotels and similar hotels in Hong Kong.

The series of periodic net operating income, along with an estimate of the reversionary or terminal value anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. The discount rate adopted is 6.5% which reflects the time value of money in the DCF Analysis and a risk premium which represents compensation for the risk inherent in the forecast cash flows that are uncertain, comprising the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (approximately 1.4%), expected inflation (approximately 3% per annum) determined with reference to annual changes in the Consumer Price Indices over the past 10 years in Hong Kong, and the risk rate assigned to the hotel property (approximately 2.1%) which represents the excess of hotel market yield (approximately 3.5%) (determined with reference to the yield derived from recent actual sales of hotel premises in Hong Kong as extracted from an international commercial real estate database compiled by Real Capital Analytics, Inc., a data analytics company headquartered in New York which has a vast database of property transaction history and market analysis across the globe, and such information is frequently used in the industry and academic research) over the risk free rate.

We have assumed that the Property is sold at the commencement of the eleventh year of the cash flow, which is a common market practice to derive the capital value at the end of the investment period, and the net income in the eleventh year has been capitalised at a terminal capitalisation rate to derive the capital value at the end of the tenth year. The terminal capitalisation rate adopted is 3.5% mainly taking into account the yields achieved in analysed market sale of hotel premises and our knowledge of the market expectation for such properties. This expected return reflects implicitly the quality of the investment, the expectation of the potential of future income growth and capital appreciation, risk factor and the like. The capital value is discounted at the discount rate.

This analysis has then been cross-checked by the Market Approach assuming sale of the Property in its existing state and by making reference to comparable sale transactions as available in the relevant market. By analysing sales which qualify as "arm's-length" transactions, between willing buyers and sellers, relevant adjustments are made when comparing such sales against the Property.

Title Investigations

We have not been provided with extracts from title documents relating to the Property but have conducted searches at the Land Registry. We have not, however, been provided with the original documents to verify the ownership, nor to ascertain the existence of any amendments which may not appear on our searches. We do not accept any liability for any interpretation which we have placed on such information, which is more properly in the sphere of your legal advisers.

Sources of Information

We have relied to a considerable extent on the information provided by the Company on such matters as tenancy schedules, statutory notices, easements, tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Company that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable.

Site Measurement

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are correct.

Site Inspection

We have inspected the exteriors and the interiors of the Property. Our inspections of the Property was carried out by David Faulkner (FRICS and FHKIS) and Stella Ho (MRICS and MHKIS), on 23 May 2017. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services. Our valuation has been prepared on the assumption that these aspects are satisfactory.

Assumptions and Caveats

Our valuation has been made on the assumption that the Property can be sold on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect its value.

No allowances has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

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

The Lease is assumed to commence from the Valuation Date and end on the date immediately preceding the fifth anniversary date, and may be extended at the lessor's sole discretion for a further term commencing on the date immediately following the date of expiration of the initial lease term in 2022 and ending on 31 December 2027. The annual rent receivable in respect of the first, second, third, fourth and fifth years of the lease term shall be 4.0%, 4.25%, 4.5%, 4.75% and 5.0% per annum respectively of the consideration of the Transaction (i.e. HK$1,360 million). The rent receivable in respect of the remaining lease term shall be determined based on annual market rental reviews to be conducted by independent professional property valuer who will be jointly appointed by the lessor and the lessee.

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

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

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

In addition, we have made the following assumptions:

- All information on the Property provided by the Company is correct.

- Proper ownership titles of and relevant planning approvals for the Property have been obtained, all payable land premiums, land-use rights fees and other relevant fees have been fully settled and the Property can be freely transferred, sub-let, mortgaged or otherwise disposed of.

- The Property has been fully developed, and is occupied and used in full compliance with, and without contravention of, all ordinances and regulations except only where otherwise stated.

- Unless otherwise stated, we have not carried out any valuation on a redevelopment basis, nor the study of possible alternative options.

- The Government Lease will be renewed upon expiry on normal terms.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong dollars (HK$).

This report and our valuation are for the use of the Company and the report is for the use only of the parties to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation.

Our Summary of Value and Valuation Certificate are attached hereto.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Limited

Stella Ho
BSSc (Hons) MSc MRICS MHKIS RPS (GP)
Director
Valuation and Advisory Services

David Faulkner
BSc (Hons) FRICS FHKIS RPS (GP) MAE
Managing Director
Valuation & Advisory Services — Asia

Note: Stella Ho is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region ("Hong Kong"). She is suitably qualified to carry out the valuation and has over 17 years' experience in the valuation of properties of this magnitude and nature.

Note: David Faulkner is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong. He is suitably qualified to carry out the valuation and has over 37 years' experience in the valuation of properties of this magnitude and nature, and over 30 years' experience in Hong Kong and China.

SUMMARY OF VALUE

Property	**Market Value in existing state as at 23 June 2017**
	HK$
iclub Ma Tau Wai Hotel	1,400,000,000

VALUATION CERTIFICATE

PROPERTY

ICLUB MA TAU WAI HOTEL

No. 8 Ha Heung Road (formerly known as Nos. 8, 8A, 10, 10A, 12 and 12A, Ha Heung Road), Kowloon, Hong Kong

Section C of Kowloon Inland Lot No. 4148

1. PROPERTY DESCRIPTION

iclub Ma Tau Wai Hotel ("ICMTW") is a 22-storey building including 1 basement floor. According to the information provided, it provides a total of 340 guestrooms accommodated on 5th to 23rd Floors of the building (4th, 13th and 14th Floors are omitted). Carparking spaces are available on the basement and ground floor. Plant rooms are on 1st Floor. Communal podium garden is situated on 2nd Floor. Hotel back of house, plant rooms and other ancillary accommodation are on 3rd Floor. ICMTW has obtained the occupation permit issued by the Building Authority dated 23 November 2016, and the hotel licence issued by the Hotel and Guesthouse Accommodation Authority dated 17 May 2017.

ICMTW is located at Ma Tau Wai, a traditional residential area that is situated close to Kowloon City and the new Kai Tak development. The immediate locality is predominantly residential buildings.

Site Area	:	Approx. 699.83 square metres ("sqm")
Gross Floor Area[1]	:	Approx. 6,298 sqm
Covered Floor Area	:	Approx. 9,490 sqm
Town Planning Zoning	:	"Residential (Group A)" zone under Approved Ma Tau Kok Outline Zoning Plan No. S/K10/22 dated 15 April 2016.

Hotel Guestroom Configuration

Room Type	**No. of Rooms**
iSelect	60
iPlus	160
iSelect Premier	72
iPlus Premier	48
Total	**340**

Note: The room sizes range from 11 sqm to 16 sqm.

[1] The Gross Floor Area excludes 158.11 sqm lift exempted area.

Other Facilities

Common facilities include a lounge, a computer area and a fitness area.

2. OWNERSHIP AND TENURE

Registered Owner	:	Land Crown International Limited
Lease Term	:	The Section C of Kowloon Inland Lot No. 4148 is held under a Conditions of Sale No. 3945 for a term of 75 years commencing from 26 June 1939 and renewable for a further term of 75 years.
Government Rent	:	3% of the rateable value of the Property.

Major Registered Encumbrances

- Debenture and Mortgage in favour of Hang Seng Bank Limited, dated 11 July 2014, registered vide Memorial No. 14080702080186. We understand from the Company that the Debenture and Mortgage will be released before or on completion of the Transaction, in accordance with the S&P Agreement.

3. ASSUMED LEASE AGREEMENT

As instructed, it is assumed that the Property is subject to the Lease. The Lease is assumed to commence from the Valuation Date and end on the date immediately preceding the fifth anniversary date, and may be extended at the lessor's sole discretion for a further term commencing on the date immediately following the date of expiration of the initial lease term in 2022 and ending on 31 December 2027. The annual rent receivable in respect of the first, second, third, fourth and fifth years of the lease term shall be 4.0%, 4.25%, 4.5%, 4.75% and 5.0% per annum respectively of the consideration of the Transaction (i.e. HK$1,360 million). The rent receivable in respect of the remaining lease term shall be determined based on annual market rental reviews to be conducted by independent professional property valuer who will be jointly appointed by the lessor and the lessee.

4. ASSUMED HOTEL MANAGEMENT AGREEMENT

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

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

(b) An incentive fee which is equal to (i) 1% of the excess of the Adjusted GOP derived from the Property over the base fee and the fixed charges (for so long as the Lease is in subsistence); or (ii) 5% of the excess of the Adjusted GOP derived from the Property over the base fee and the fixed charges (for other cases during the operating term of the HMA).

5. HOTEL MARKET OVERVIEW

Over 2016, Hong Kong received a total of 56.7 million visitor arrivals, representing a single digit year-on year ("YoY") decline of 4.5%; Mainland Chinese visitors continue to be the largest source of this market. Despite its 6.7% YoY decline from 45.8 million in 2015 to 42.8 million, Mainland Chinese visitor arrivals showed an uptick from mid-2016 onwards[2]. In the first quarter of 2017, 10.8 million arrivals from Mainland China were recorded, representing a growth of 3.8% compared to the same period of 2016. There was also further growth in the short haul markets such as Japan (20.9% YoY); Indonesia (18.4% YoY) and the Philippines (14.5% YoY). Several long haul submarkets including USA (4.4% YoY); Canada (1.3% YoY) and New Zealand (7.1% YoY) also registered growth compared to the same period in the previous year[3].

Overnight visitor arrivals in the first quarter of 2017 have seen an increase of 6.3% YoY to 6.6 million visitors. In terms of country/territory, Mainland China visitors saw a YoY 6.4% growth to 4.3 million. Short haul markets have seen a great increase of 9.2% to 1.5 million visitors. The long haul markets have also recorded a slight increase YoY of 1.1%, to 0.8 million. Only 39.4% of Mainland China visitors stay overnight in Hong Kong while 67% of the visitors from the remaining markets stay overnight[4].

The Hong Kong hotel industry experienced a relatively stable period in 2016 after the drop in 2015. The performance of High Tariff A Hotels finished 2016 with an average rate of HK$2,161 at an average occupancy of 84%. In the first quarter of 2017, the market saw a continuous recovery. High Tariff A Hotels recorded an occupancy rate of 85% and an average room rate of HK$2,110. High Tariff B and Medium Tariff hotels noticed slight increases in average rates to HK$1,034 and HK$672, and recorded occupancy rates both at 89%. However, as a whole hotel room rates declined by 2.1% to HK$1,272 per night, but had an increased occupancy rate of 5 percentage points to 88% for the first quarter of 2017. The sub-market in terms of locations experienced slight increases in occupancy rates[5].

The overall Hong Kong hotel market experienced 1.4% YoY room supply growth in 2016, attributable to a noticeable 4.4% growth in room supply of the Medium Tariff hotel market, which increased from 22,678 rooms to 23,669 rooms; 2.3% increase was seen for the High Tariff B hotel market with new supply of 637 rooms; the High Tariff A hotel market remained stable with a new supply of 52 rooms[6].

Despite Hong Kong's hospitality industry struggling against the decline in visitor arrivals, outlook over the medium to long term remains optimistic. Hong Kong has attuned its tourism strategy, stressing the importance of attracting high-yield overnight visitors. The government has allocated HK$243 million to tourism in the 2017-18 Budget in order to implement this strategy[7].

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[2] Source: HKTB, Visitor Arrival Statistics - December 2016.
[3] Source: HKTB, Visitor Arrival Statistics - March 2017.
[4] Source: HKTB, Visitor Arrival Statistics - March 2017.
[5] Source: HKTB, Hotel Room Occupancy Report - March 2017.
[6] Source: HKTB, Hotel Room Occupancy Report - December 2016.
[7] Source: 2017-18 Budget, www.budget.gov.hk.

A wide range of diversified tourist attractions enhancing Hong Kong's overall desirability as a premier tourist destination are under process, notably the completion of Tai Shue Wan Water World in July 2018 at Ocean Park, which is expected to accommodate 1.5 million visitors a year[8]. The ongoing extensions of Disneyland are expected to further draw international leisure travellers to Hong Kong. The Kai Tak Cruise Terminal that opened in 2013 welcomed 18 cruise lines in 2016, double that of 2015. World Cruise Terminals projects the arrival of 550,000 cruise passengers this year, representing a five-fold increase from the terminal's first full year of operation in 2014[9].

Hong Kong is recognised as the world's premier Meetings, Incentives, Conventions and Exhibitions ("MICE") destination. The number of business travellers is expected to increase in the coming period. The Government is committed to enhancing the appeal of Hong Kong as an ideal MICE destination in Asia. In 2016, there were a total of 1,891,017 overnight MICE visitor arrivals to Hong Kong, representing a YoY 9.9% growth[10]. The first quarter of 2017 recorded the total overnight MICE visitor arrivals at 341,518, a growth of 8.8% YoY[11].

In addition, there are a number of Hong Kong's large-scale infrastructure projects, namely the Guangzhou—Shenzhen—Hong Kong Express Rail Link, the Hong Kong—Zhuhai—Macao Bridge, a rail connection between the Hong Kong and Shenzhen airports, the Tuen Mun—Chek Lap Kok Link and the Tuen Mun Western Bypass are expected to be completed between 2017 and 2018 to enhance the connectivity to nearby major cities in Mainland China, especially within the Pearl River Delta region.

The hotel supply will keep pace with the demand. Unlike 2016 where new supply was limited, there is an expected 6,517 new hotel rooms coming on stream in 2017 and by 2019, the total number of rooms is expected to reach 87,417[12]. With the continued recovery of tourism, we expect the occupancy rates will stay at high level in 2017.

The Property is located in To Kwa Wan, which is a traditional residential area. The major development in the vicinity of ICMTW is the Kai Tak Development which is a part of the government's initiative of Energizing Kowloon East.

Kai Tak Development covers a total planning area of over 320 hectares which spans over the ex-airport site together with the adjoining hinterland districts of Wong Tai Sin, Kwun Tong and Kowloon City[13]. With a development mix of community, housing, business, tourism and infrastructural uses, it is set to revitalise the surrounding areas. The Government has recently

[8] Source:HKFP, "New Hong Kong waterpark to make a splash in 2018", www.hongkongfp.com.

[9] Source: HKFP, "Kai Tak's new cruise terminal - another white elephant, or travel hub in the making?", www.hongkongfp.com.

[10] Source: MEHK - Statistics on MICE Arrivals 2016, Feb 2017.

[11] Source: MEHK - Statistics on MICE Arrivals 2017 (Jan-Mar), May 2017.

[12] Source: HKTB, Hotel Supply Situation - as at December 2016.

[13] Source: Gov HK, "Overview of Kai Tak Development", www.ktd.gov.hk.

completed a review to further increase the development intensity and enhance the site planning of the Kai Tak Development Area. A total of 16,000 additional residential flats and approximately 400,000 sqm of commercial floor area will be added in two phases[14]. Four hotel sites are designated for hotel use.

The Cruise Terminal is also another highlighted attraction in the area. According to the 2017 Policy Address, the Government will invite a tender for the Kai Tak Tourism Node in the vicinity of the terminal to develop a world-class tourist attraction[15], which is expected to further strengthen its competitiveness within the region.

The MTR Shatin to Central Link is under construction and the commissioning date of the Tai Wai to Hung Hom Section is expected in 2019. Under the existing alignment planning, the Property will be within 10 minutes walking distance to the proposed Ma Tau Wai Station. Therefore the transportation and the accessibility of the Property will be further enhanced[16].

The Kowloon City District will have 17 hotels with a total of 7,795 rooms in the coming two years. In addition to the 546-room Kerry Hotel Hong Kong at 38 Hung Luen Road which opened in April 2017, the 54-room i Hotel (Kowloon South) at 179 & 181 Bulkeley Street, Hung Hom is slated to open in the second quarter of 2017. The competition against the two hotels is expected to be minimal as both hotels have different market positioning and pricing strategies. A proposed hotel with 99 rooms at 103-107 Tam Kung Road is planned to open at the end of 2017. This may pose limited effect to ICMTW due to different development scale.

Based on the anticipated recovery in the overall hotel industry and supply-demand balance in the short to medium term, as well as the strategic location and quality of services, it is anticipated that ICMTW will follow the overall hotel market trend in 2017.

6. ESTIMATED NET PROPERTY YIELD[17]

3.9%

7. MARKET VALUE IN EXISTING STATE AT 23 JUNE 2017

HK$1,400,000,000 (Hong Kong Dollars One Billion and Four Hundred Million Only)

[14] Source: "2017 Policy Address", Information Services Department (ISD).

[15] Source: "2017 Policy Address", Information Services Department (ISD).

[16] Source: MTR's website,www.mtr-shatincentrallink.hk.

[17] The Estimated Net Property Yield of ICMTW is derived from fixed rental receivable in the first year of the term of the Lease divided by the Market Value.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

				Number of shares held			
	The Company/ Name of associated corporation	**Name of Director**	**Class of shares held**	**Personal interests**	**Corporate interests**	**Family/Other interests**	**Total (Approximate percentage of the issued shares as at the Latest Practicable Date)**
1.	The Company	Mr. LO Yuk Sui	Ordinary (issued)	24,200	622,433,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss LO Po Man	Ordinary (issued)	300,000	—	269,169 (Note d)	569,169 (0.06%)
		Dr. Francis CHOI Chee Ming	Ordinary (issued)	50,240,000	—	—	50,240,000 (5.59%)
		Mr. Allen WAN Tze Wai	Ordinary (issued)	10,200	—	—	10,200 (0.001%)
2.	Century City	Mr. LO Yuk Sui	Ordinary (issued)	110,667,396	1,769,164,691 (Note a)	380,683	1,880,212,770 (58.69%)
		Miss LO Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.004%)
		Ms. Belinda YEUNG Bik Yiu	Ordinary (issued)	200	—	—	200 (0.000%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
		Mr. Jimmy LO Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)
		Mr. NG Siu Chan	Ordinary (issued)	—	—	3,521,973	3,521,973 (0.11%)
		Mr. Allen WAN Tze Wai	Ordinary (issued)	24,000	—	—	24,000 (0.001%)
3.	Paliburg	Mr. LO Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Miss LO Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
		Mr. Donald FAN Tung	Ordinary (issued)	556	—	—	556 (0.000%)
		Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
		Mr. Kenneth NG Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)
		Mr. NG Siu Chan	Ordinary (issued)	—	—	80,474	80,474 (0.007%)
		Mr. Allen WAN Tze Wai	Ordinary (issued)	200	—	—	200 (0.000%)
4.	Cosmopolitan	Mr. LO Yuk Sui	Ordinary				
			(i) (issued)	—	3,243,896,716 (Note e)	—	3,243,896,716
			(ii) (unissued)	—	5,024,058,784 (Note f)	—	5,024,058,784
						Total:	8,267,955,500 (190.27%)
			Preference (issued)	—	2,345,487,356 (Note f)	—	2,345,487,356 (99.99%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
		Miss LO Po Man	Ordinary (issued)	1,380,000	—	—	1,380,000 (0.03%)
		Mr. Jimmy LO Chun To	Ordinary (issued)	2,269,101	—	—	2,269,101 (0.05%)
5.	Regal REIT	Mr. LO Yuk Sui	Units (issued)	—	2,443,033,102 (Note g)	—	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	1,000 (Note h)	—	1,000 (100%)

Notes:

(a) The interests in 1,769,164,691 issued ordinary shares of Century City were held through companies wholly owned by Mr. LO Yuk Sui ("**Mr. Lo**").

(b) The interests in 694,124,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 58.67% shareholding interests.

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

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

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

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

(c) The interests in 421,400 issued Shares were held through companies wholly owned by Century City, in which Mr. Lo held 58.67% shareholding interests. The interests in 599,025,861 issued Shares were held through companies wholly owned by Paliburg, in which Century City held 62.28% shareholding interests. The interests in the other 23,408,000 issued Shares were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings (which is owned as to 50% each by Paliburg and the Company through their respective wholly owned subsidiaries) held 62.85% shareholding interests. Paliburg held 69.25% shareholding interests in the Company.

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

(e) The interests in 2,731,316,716 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and the Company through their respective wholly owned subsidiaries. The interests in the other 512,580,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 58.67% shareholding interests in Century City.

(f) The interests in 5,024,058,784 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and the Company through their respective wholly owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 58.67% shareholding interests in Century City.

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

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

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds issued by the CB Issuer, which are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

(g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of Paliburg. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of Century City. Cosmopolitan was held as to 62.85% shareholding interests by P&R Holdings, which is owned as to 50% each by Paliburg and the Company through their respective wholly owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 58.67% shareholding interests in Century City.

(h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.67% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed above, none of the 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 2016, being the date to which the latest published audited financial statements of the Company were made up.

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

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

(1) Mr. LO Yuk Sui is a director of YSL International Holdings Limited.

(2) Mr. LO Yuk Sui, Miss LO Po Man and Mr. Jimmy LO Chun To are directors of Grand Modern Investments Limited.

(3) Mr. LO Yuk Sui, Miss LO Po Man, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai, Mr. NG Siu Chan and Mr. WONG Chi Keung are directors of Century City and Paliburg.

(4) Mr. LO Yuk Sui, Miss LO Po Man, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai are directors of Century City BVI Holdings Limited, Paliburg Development BVI Holdings Limited, Guo Yui Investments Limited, Paliburg BVI Holdings Limited, Taylor Investments Ltd. and Glaser Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, no other Director was a director or employee of a company which 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.

3. 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).

4. 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.

5. QUALIFICATION AND CONSENT OF EXPERTS

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

Name	Qualification
Investec	a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Colliers	Chartered Surveyors and Valuer

Each of Investec and Colliers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear. The valuation report on the Hotel and the letter of Investec are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, none of the above experts had any interest in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and none of the above experts had any interest, either directly or indirectly, in any assets which have been, since 31 December 2016, 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.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had not been any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. 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 S&P Agreement;

(b) Investec's letter of advice dated 9 August 2017, the text of which is set out in this circular;

(c) the valuation report on the Hotel, the text of which is set out in Appendix I to this circular; and

(d) the written consents referred to in the section headed "Qualification and consent of experts" of this Appendix.

8. GENERAL

(a) 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.

(b) The English text of this circular shall prevail over the Chinese text.

富豪酒店國際控股有限公司
Regal Hotels International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 78)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Regal Hotels International Holdings Limited (the "**Company**") will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 28 August 2017 at 3:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the entering into of the S&P Agreement (as defined in the circular to the shareholders of the Company dated 9 August 2017 (the "**Circular**")), a copy of which has been produced to this meeting marked "A" and signed by the chairman of this meeting for identification purpose, the transactions contemplated thereunder and the execution of the S&P Agreement and any documents and agreements incidental thereto by any two directors of the Company and the affixation of the common seal of the Company thereto, where necessary, for and on behalf of the Company be and are hereby confirmed, approved, authorised and/or ratified in all respects; and

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

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

Hong Kong, 9 August 2017

Notes:

1. For the purpose of ascertaining shareholders' entitlement to attend and vote at the SGM, the register of ordinary shareholders of the Company will be closed from Wednesday, 23 August 2017 to Monday, 28 August 2017, both dates inclusive, and no transfer of ordinary shares of the Company will be effected during such period. In order to be entitled to attend and vote at the SGM, all transfers of ordinary shares of the Company, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, (the "**Branch Registrar**") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 22 August 2017.

2. 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.

3. 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.

4. 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 Branch Registrar 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.

5. 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.

6. 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.

7. At the SGM, the above resolution put to the vote of the members of the Company will be decided by way of poll.

8. 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) 2894-7510 on that day to enquire about the arrangements of the SGM.