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(stock code: 78)

**EXERCISE OF  
CALL OPTION**

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CALL OPTION**

**EXERCISE OF  
CALL OPTION  
DISCLOSEABLE AND  
CONNECTED TRANSACTION**

**LEASE TRANSACTION  
CONTINUING CONNECTED  
TRANSACTION**

Reference is made to the joint announcement of Century City and Paliburg dated 10 September 2009 and the Circulars. Pursuant to the S&P Agreement, the Seller sold 75% of the issued share capital of the Subject Company to the Assignee and the Assignor assigned 75% of the Shareholder Loan to the Assignee on the Initial Completion Date, and the Purchaser has been granted the Call Option exercisable at its discretion during the period from 1 November 2010 to 28 February 2011 (both dates inclusive).

On 10 December 2010, the Purchaser served a notice to the Seller exercising the Call Option under which (a) the Seller will sell its remaining 25% equity interest in the Subject Company, and (b) the Assignor (or other members of the Paliburg Group) will assign the Shareholder Loan to the Assignee.

As a result of the Amendments to the Trust Deed constituting Regal REIT which came into effect on 23 July 2010, it has been determined by Regal Hotels that Regal REIT should be treated as its subsidiary effective from 23 July 2010, the date when the Amendments became effective.

Paliburg is the controlling shareholder of Regal Hotels. The exercise of the Call Option by Regal REIT constitutes a discloseable and connected transaction for Regal Hotels subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

Furthermore, as Regal REIT has become a subsidiary of Regal Hotels, the Property Company, in which Regal REIT owns a 75% interest, has also become a subsidiary of Regal Hotels. The leasing of the Lease Property by the Lessee (a wholly-owned subsidiary of Paliburg) from the Property Company constitutes a continuing connected transaction for Regal Hotels subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement.

## **BACKGROUND**

The Century City Group (not including the Paliburg Group) holds approximately 59.1% of the issued ordinary share capital of Paliburg and Paliburg is a subsidiary of Century City. The Paliburg Group holds approximately 49.2% of the issued ordinary share capital of Regal Hotels. Regal Hotels is an associate of Century City and Paliburg. The Century City Group also holds approximately 0.04% of the issued ordinary share capital of Regal Hotels. Mr. Lo and his spouse personally hold approximately 0.03% of the issued ordinary share capital of Regal Hotels. The Regal Group holds approximately 74.4% of the issued units of Regal REIT and the Century City Group (not including the Paliburg Group) also holds approximately 0.16% of the issued units of Regal REIT.

Reference is made to the joint announcement of Century City and Paliburg dated 10 September 2009 and their respective circulars dated 30 September 2009. On 10 September 2009, Paliburg, the Seller, the Purchaser and the REIT Manager entered into the S&P Agreement. Pursuant to the S&P Agreement, the Seller sold 75% of the issued share capital of the Subject Company to the Assignee and the Assignor assigned 75% of the Shareholder Loan to the Assignee on the Initial Completion Date, and the Purchaser has been granted the Call Option by the Seller exercisable at the Purchaser's discretion during the period from 1 November 2010 to 28 February 2011 (both dates inclusive). The Initial Disposal and the Option Disposal were aggregated for the purposes of the Listing Rules and constituted respectively a major transaction for Century City and a major and connected transaction for Paliburg. The Initial Disposal and the Option Disposal were approved by the respective shareholders of Century City and Paliburg by way of written shareholder approvals. Details of the Initial Disposal and the Option Disposal were set out in the joint announcement dated 10 September 2009 and in the Circulars.

At the time of entering into of the S&P Agreement, Regal REIT was a listed associate of Regal Hotels. As a result of the Amendments to the Trust Deed in compliance with the revisions made by the SFC to the REIT Code, it has been determined by Regal Hotels that Regal REIT should be treated as its subsidiary effective from 23 July 2010, the date when the Amendments became effective. Further information regarding the Amendments was set out in the joint announcement dated 2 December 2010 issued by Century City, Paliburg and Regal Hotels.

## **EXERCISE OF THE CALL OPTION**

On 10 December 2010, the Purchaser served a notice to the Seller exercising the Call Option under which (a) the Seller will sell its remaining 25% equity interest in the Subject Company, and (b) the Assignor (or other members of the Paliburg Group) will assign the Shareholder Loan to the Assignee.

The Seller is an investment holding company and a wholly-owned subsidiary of Paliburg. The Paliburg Group is principally engaged in property development and investment, construction and building related businesses, and other investments including, in particular, its interests in Regal Hotels, which is principally engaged in hotel operation and management, investment in Regal REIT, asset management of Regal REIT, property development and investment, and other investments.

The Purchaser is the Trustee of Regal REIT. The Purchaser entered into the S&P Agreement and exercised the Call Option on behalf of Regal REIT and at the direction of the REIT Manager.

Upon completion of the Option Disposal, the Subject Group will be wholly owned by Regal REIT.

### **Consideration**

The consideration for the Option Disposal shall be the sum of:

1. 25% of the Adjusted Net Asset Value (which will be based on, among others, the Appraised Value without discount) as at the completion date of the Option Disposal; and
2. the carrying amount of any Shareholder Loan as at the completion date of the Option Disposal,

subject to a maximum amount of HK\$98 million.

Based on the Latest Accounts as at 30 November 2010, the Adjusted Net Asset Value was approximately HK\$78.4 million and the carrying amount of the Shareholder Loan was approximately HK\$70.5 million. On the aforesaid bases, the consideration for the Option Disposal would be approximately HK\$90.1 million. However, the actual consideration for the Option Disposal will be subject to adjustments based on the Adjusted Net Asset Value and the Shareholder Loan as at the completion date of the Option Disposal.

The Purchaser shall pay an initial amount equal to the sum of 25% of the Adjusted Net Asset Value and the carrying amount of the Shareholder Loan as per the Latest Accounts upon completion of the Option Disposal, which is expected to take place on 31 December 2010 or such other date as the parties may agree. A completion statement, reflecting 25% of the Adjusted Net Asset Value (which will be adjusted by, among others, the Appraised Value without discount) and the carrying amount of the Shareholder Loan as at the completion date of the Option Disposal, shall be prepared by the Purchaser, reviewed by an independent firm of accountants and delivered to the Seller within 60 days after the completion date of the Option Disposal. If there is any difference between the initial amount paid and the final consideration amount based on the completion statement, such difference shall be settled in cash between the Seller and the Purchaser in accordance with the terms of the S&P Agreement, subject to a maximum consideration amount of HK\$98 million.

## **THE SUBJECT GROUP**

The Subject Group is an investment property holding group which owns the Property. Since completion of the Initial Disposal, the Subject Company has been owned as to 75% by Regal REIT and as to 25% by the Paliburg Group. Wise Tower, the Seller, Paliburg, the Purchaser and the Subject Company have entered into the Shareholders Agreement setting out the shareholders' rights and obligations regarding the Subject Group. Pursuant to the Shareholders Agreement, in proportion to the Paliburg Group's 25% equity interest in the Subject Group, Paliburg has provided several guarantee to the bank loan of the Subject Group which amounted to approximately HK\$153.0 million as at 30 November 2010. Upon completion of the Option Disposal, the Subject Group will be wholly owned by Regal REIT and the Shareholders Agreement shall cease to have effect, and Regal REIT will procure the existing guarantee provided by Paliburg in respect of the bank loan of the Subject Group to be released.

Pursuant to the S&P Agreement, the Seller has completed the Asset Enhancement Programme converting part of the Property into the Hotel, and the Hotel commenced operation in December 2009 under the "Regal iClub Hotel" brand name. Further conversion on the Property was completed in November 2010 providing additional 49 hotel rooms and suites.

## **Lease Agreement**

As part of the whole arrangement in respect of the Initial Disposal, the Property Company and the Lessee entered into the Lease Agreement on 20 October 2009. Under the Lease Agreement, the Lessee has leased back the Lease Property from the Property Company for the period commencing from 21 October 2009, being the day following the Initial Completion Date, and expiring on 31 December 2010 at a rental of HK\$2 million per calendar month, subject to the Rental Adjustment (excluding management expenses, rates, Government rent and other sums payable by the Lessee). It is estimated that the rental payable by the Lessee to the Property Company under the Lease Agreement would not exceed HK\$24 million for the year ending 31 December 2010. Such annual rental cap was determined based on the monthly

rental of HK\$2 million. The rental expenses amounted to approximately HK\$4.7 million for the period ended 31 December 2009 and approximately HK\$12.0 million for the six months ended 30 June 2010.

Under the Lease Agreement, the Paliburg Group operates the Hotel and the leasing business of the Lease Property. All rentals and other income from the tenancies in respect of the Lease Property during the term of the Lease Agreement belong to the Lessee. The Lessee has assumed the rights and obligations of the Property Company under the tenancies in respect of the Lease Property which were entered into before execution of the Lease Agreement.

During the term of the Lease Agreement, the Lessee shall have the right to, among other things, under-lease certain areas of the Lease Property and all rentals and other income from under-leases belong to the Lessee.

Among other rights, the Property Company shall, upon occurrence of certain events, have the right to terminate the Lease Agreement during the term by giving three months' prior written notice to the Lessee but without compensation interest or costs paid by the Property Company to the Lessee, and the Lessee shall not have any claim whatsoever against the Property Company for such early termination of the Lease Agreement. Up to the date of this joint announcement, no termination notice has been served by the Property Company.

Pursuant to the Lease Guarantee, Paliburg has provided guarantee in favour of the Property Company, as lessor, and the Purchaser in respect of the obligations of the Lessee under the Lease Agreement.

The Lease Agreement will not be renewed after its expiry on 31 December 2010.

#### **Hotel management agreement**

The Lessee has appointed RHI, a wholly-owned subsidiary of Regal Hotels, to act as the exclusive manager of the Hotel to manage the Hotel under the "Regal iClub Hotel" brand name, for a period commencing on the date on which the hotel licence for the Hotel was issued up to 31 December 2010, the expiry date of the Lease Agreement, at a management fee of 5% of the gross revenues generated by the Hotel, subject to a minimum amount of HK\$80,000 per month. The management fee amounted to approximately HK\$0.02 million for the period ended 31 December 2009 and approximately HK\$0.48 million for the six months ended 30 June 2010. The aforesaid hotel management agreement entered into by the Lessee will not be renewed after its expiry on 31 December 2010.

The REIT Manager and RHI are presently in the process of negotiating the terms of a new hotel management agreement in respect of the hotel business of the Property.

### **Financial highlights**

The table below sets out the profit/(loss) before and after taxation of the Subject Group for the two years ended 31 December 2008 and 2009.

	For the year ended 31 December	
	2009	2008
	HK\$ million	HK\$ million
Profit/(Loss) before taxation	91.3	(20.9)
Profit/(Loss) after taxation	76.3	(16.8)

As at 30 June 2010, the net asset value of the Subject Group was approximately HK\$52.2 million and the inter-company loan due from the Subject Group to the Paliburg Group (i.e., the Shareholder Loan) was approximately HK\$69.5 million.

### **BENEFITS OF AND REASONS FOR REGAL REIT EXERCISING THE CALL OPTION**

The Regal Group is principally engaged in hotel operation and management, investment in Regal REIT, asset management of Regal REIT, property development and investment, and other investments. The principal activity of Regal REIT and its subsidiaries 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.

The Subject Group is an investment property holding group which owns the Property. The Seller has completed the Asset Enhancement Programme converting part of the Property into the Hotel and the Hotel commenced operation in December 2009. Further conversion on the Property was completed in November 2010 providing additional 49 hotel rooms and suites. As at the date of this joint announcement, the Subject Group is owned as to 75% by Regal REIT and 25% by the Paliburg Group. Regal REIT has been granted the Call Option to acquire the remaining 25% equity interest in the Subject Group. Upon completion of the Option Disposal, the Subject Group will be wholly owned by Regal REIT.

Regal Hotels understands that Regal REIT considers that the acquisition of the remaining 25% equity interest in the Subject Group is in line with Regal REIT's growth strategy and given the satisfactory performance of the hotel business of the Property since it commenced operation, the positive outlook of the hotel industry in Hong Kong and the increased valuation of the Property of HK\$565 million as at 30 November 2010 as valued by an independent valuer (taking into account the further conversion completed in November 2010) as compared with the Appraised Value as at 30 June 2009, the acquisition of the remaining 25% equity interest in the Subject Group represents a good opportunity to enhance the yield of the portfolio of Regal

REIT. Having regard to the aforesaid benefits and given that the consideration for exercising the Call Option is based on 25% of the Adjusted Net Asset Value and the carrying amount of the Shareholder Loan as at the completion date of the Option Disposal and the Regal Group holds approximately 74.4% of the issued units of Regal REIT, the board of directors of Regal Hotels (other than Mr. Lo who is a director and a substantial shareholder of Paliburg and abstained from voting on the relevant board resolution of Regal Hotels regarding the exercise of the Call Option) considers that the terms of the exercise of the Call Option is fair and reasonable and in the interests of Regal Hotels and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As a result of the Amendments to the Trust Deed constituting Regal REIT which came into effect on 23 July 2010, it has been determined by Regal Hotels that Regal REIT should be treated as its subsidiary effective from 23 July 2010, the date when the Amendments became effective.

Paliburg is the controlling shareholder of Regal Hotels. The exercise of the Call Option by Regal REIT constitutes a discloseable and connected transaction for Regal Hotels subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

Furthermore, as Regal REIT has become a subsidiary of Regal Hotels, the Property Company has also become a subsidiary of Regal Hotels. The leasing of the Lease Property by the Lessee (a wholly-owned subsidiary of Paliburg) from the Property Company constitutes a continuing connected transaction for Regal Hotels. As the estimated rental for the period from 23 July 2010 to 31 December 2010 is less than 5% of the applicable percentage ratios under the Listing Rules, the Lease Transaction constitutes a continuing connected transaction for Regal Hotels subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement. Regal Hotels will comply with the annual review requirements in respect of the Lease Transaction under Rules 14A.37 to 14A.38 of the Listing Rules.

## **DEFINITIONS**

In this joint announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Adjusted Net Asset Value”	the net asset value of the Subject Group as adjusted by the value of the Property by the Appraised Value (without discount) and deferred tax according to the terms of the S&P Agreement
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“Amendments”	the amendments to the Trust Deed made pursuant to the fourth supplemental deed dated 23 July 2010 entered into between the Trustee and the REIT Manager
“Appraised Value”	the value of the Property as of 30 June 2009, on the basis that the Asset Enhancement Programme has been completed, of HK\$479 million, based on the valuation carried out by an independent valuer engaged by the Purchaser
“Asset Enhancement Programme”	the work that has been carried out by the Seller converting part of the Property into the Hotel
“Assignee” or “Wise Tower”	Wise Tower Limited, a wholly-owned subsidiary of Regal REIT
“Assignor”	Paliburg Development Finance Limited, a wholly-owned subsidiary of Paliburg
“Building”	a 26-storey commercial building situated at No. 211 Johnston Road, Wanchai, Hong Kong, erected on the Remaining Portion of Section F of Inland Lot No. 2769, Sub-section 1 of Section F of Inland Lot No. 2769, the Remaining Portion of Section G of Inland Lot No. 2769 and Sub-section 1 of Section G of Inland Lot No. 2769
“Call Option”	an option granted by the Seller to the Purchaser exercisable at the discretion of the Purchaser to acquire the remaining 25% equity interest of the Seller in the Subject Company and the then outstanding Shareholder Loan pursuant to the S&P Agreement
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares and warrants of which are listed on the Stock Exchange
“Century City Group”	Century City and its subsidiaries
“Circulars”	the respective circulars of Century City and Paliburg both dated 30 September 2009



“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel”	the 50-room hotel which has been converted from part of the Property by the Seller under the Asset Enhancement Programme
“Initial Completion Date”	completion date of the Initial Disposal on 20 October 2009
“Initial Disposal”	the disposal of 75% of the issued share capital of the Subject Company and the assignment of 75% of the Shareholder Loan as at the Initial Completion Date pursuant to the S&P Agreement
“Latest Accounts”	the latest available management accounts of the Subject Group as at 30 November 2010
“Lease Agreement”	the lease agreement dated 20 October 2009 and entered into between the Lessee and the Property Company, pursuant to which the Lessee has leased the Lease Property from the Property Company for a period up to 31 December 2010
“Lease Guarantee”	the guarantee provided by Paliburg in favour of the Property Company (as lessor) and the Purchaser in respect of the obligations of the Lessee under the Lease Agreement, pursuant to a deed of guarantee entered into by Paliburg, the Purchaser and the Property Company on the Initial Completion Date
“Lease Property”	those parts of the Property which have been leased to the Lessee under the Lease Agreement
“Lease Transaction”	the transactions contemplated under the Lease Agreement
“Lessee”	Real Charm Investment Limited, a wholly-owned subsidiary of Paliburg
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lo”	Mr. Lo Yuk Sui, the Chairman of the board of directors of each of Century City, Paliburg, Regal Hotels and the REIT Manager

“Option Disposal”	the sale of the remaining 25% equity interest in the Subject Company and the assignment of the Shareholder Loan as at the completion date of the Option Disposal pursuant to the exercise of the Call Option
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Paliburg Group”	Paliburg and its subsidiaries
“Property”	the portion of the Building owned by the Property Company consisting of 22 entire floors, a portion of the ground floor, a flat roof on the 3rd floor and the upper roof, out of a total of 26 floors in the Building, together with the eastern and western elevations of the external walls of the Building and the architectural feature at the roof top of the Building, comprising approximately 84.2% of the undivided interests of the site on which the Building is situated and with a total gross floor area of 58,870 square feet
“Property Company”	Sonnix Limited, a wholly-owned subsidiary of the Subject Company
“Purchaser” or “Trustee”	DB Trustees (Hong Kong) Limited, the trustee of Regal REIT
“Regal Hotels”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Regal Group”	Regal Hotels and its subsidiaries
“Regal REIT”	Regal Real Estate Investment Trust, the units of which are listed on the Stock Exchange
“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC (as amended from time to time)
“REIT Manager”	Regal Portfolio Management Limited, the manager of the Regal REIT and a wholly-owned subsidiary of Regal Hotels

“Rental Adjustment”	the rental adjustment pursuant to which the monthly rental of HK\$2 million under the Lease Agreement shall be reduced by the amount of rental under the tenancies in respect of certain parts of the Property not leased to the Lessee
“RHI”	Regal Hotels International Limited, a wholly-owned subsidiary of Regal Hotels, which is principally engaged in the business of providing hotel management and promotion services
“Shareholders Agreement”	the agreement entered into between Wise Tower, the Seller, the Purchaser, Paliburg and the Subject Company on the Initial Completion Date for the purposes of governing certain rights and obligations of the shareholders of the Subject Company subject to the terms and conditions appearing therein
“S&P Agreement”	the sale and purchase agreement dated 10 September 2009 and entered into between Paliburg, the Seller, the Purchaser and the REIT Manager in respect of, among others, the Initial Disposal and the Option Disposal
“Seller”	Paliburg Development BVI Holdings Limited, a wholly-owned subsidiary of Paliburg
“SFC”	The Securities and Futures Commission of Hong Kong
“Shareholder Loan”	the amount due from the Subject Group to the Assignor (or other members of the Paliburg Group) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Company”	Twentyfold Investments Limited, owned as to 75% by Regal REIT and as to 25% by the Paliburg Group, which is the holding company of the Property Company
“Subject Group”	the Subject Company and the Property Company
“Trust Deed”	the trust deed constituting Regal REIT dated 11 December 2006, as supplemented by a first supplemental deed dated 2 March 2007, a second supplemental deed dated 15 May 2008, a third supplemental deed dated 8 May 2009 and a fourth supplemental deed dated 23 July 2010, entered into between the Trustee and the REIT Manager

“HK\$” Hong Kong dollars

“%” per cent.

By Order of the Board  
**Century City International  
Holdings Limited**  
**Eliza Lam Sau Fun**  
Secretary

By Order of the Board  
**Paliburg Holdings Limited**  
**Eliza Lam Sau Fun**  
Secretary

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

Hong Kong, 10 December 2010

As at the date of this joint announcement, the board of directors of Century City comprises the following members:

**Executive Directors:**

Mr. LO Yuk Sui  
*(Chairman and Chief Executive Officer)*  
Mr. Kenneth NG Kwai Kai  
*(Chief Operating Officer)*  
Mr. Donald FAN Tung  
Mr. Kelvin LEUNG So Po  
Mr. Jimmy LO Chun To  
Miss LO Po Man

**Independent Non-Executive Directors:**

Mr. Anthony CHUANG  
Mr. NG Siu Chan  
Mr. WONG Chi Keung

As at the date of this joint announcement, the board of directors of Paliburg comprises the following members:

**Executive Directors:**

Mr. LO Yuk Sui  
*(Chairman and Chief Executive Officer)*  
Mr. Donald FAN Tung  
*(Chief Operating Officer)*  
Mr. Jimmy LO Chun To  
Miss LO Po Man  
Mr. Kenneth NG Kwai Kai  
Mr. Kenneth WONG Po Man

**Independent Non-Executive Directors:**

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP  
Mr. NG Siu Chan  
Mr. Abraham SHEK Lai Him, SBS, JP  
Mr. WONG Chi Keung

As at the date of this joint announcement, the board of directors of Regal Hotels comprises the following members:

**Executive Directors:**

Mr. LO Yuk Sui

*(Chairman and Chief Executive Officer)*

Ms. Belinda YEUNG Bik Yiu

*(Chief Operating Officer)*

Mr. Donald FAN Tung

Mr. Jimmy LO Chun To

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Allen WAN Tze Wai

**Non-Executive Director**

Dr. Francis CHOI Chee Ming, GBS, JP

*(Vice Chairman)*

**Independent Non-Executive Directors:**

Ms. Alice KAN Lai Kuen

Mr. NG Siu Chan

Mr. WONG Chi Keung