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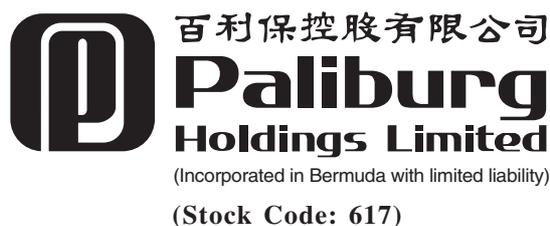
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**MAJOR TRANSACTION**  
**ESTABLISHMENT OF JOINT VENTURE**

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A letter from the Board is set out on pages 3 to 8 of this circular.

8 April 2011

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day(s)”	any day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Merit”	Capital Merit Investments Limited, a wholly-owned subsidiary of the Company, which will be a shareholder of JV Co holding 50% of the entire issued share capital of JV Co
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Century City Group”	Century City and its subsidiaries
“Company”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued Shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JV Co”	a joint venture company to be incorporated in the British Virgin Islands with limited liability by Capital Merit and Regal Investments on a 50:50 basis pursuant to the terms of the Shareholders’ Agreement
“JV Group”	JV Co and its subsidiaries
“Latest Practicable Date”	4 April 2011, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Mr Lo”	Mr LO Yuk Sui, an executive director and the Chairman of the board of directors of each of Century City, the Company and Regal
“percentage ratios”	has the meaning ascribed to it under Chapter 14 of the Listing Rules
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal Group”	Regal and its subsidiaries
“Regal Investments”	Regal Hotels Investments Limited, a wholly-owned subsidiary of Regal, which will be a shareholder of JV Co holding 50% of the entire issued share capital of JV Co
“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)
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shareholders’ Agreement”	the conditional shareholders’ agreement dated 17 March 2011 entered into between Capital Merit, Regal Investments, the Company and Regal in relation to the establishment of JV Co
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the establishment of JV Co by Capital Merit and Regal Investments on the terms and subject to the conditions of the Shareholders’ Agreement and the performance of the transactions contemplated under the Shareholders’ Agreement
“HK\$”	Hong Kong dollars
“%”	per cent.

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## LETTER FROM THE BOARD

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*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

Hon Abraham SHEK Lai Him, SBS, JP

Mr WONG Chi Keung

*Registered Office:*

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

*Head Office and*

*Principal Place of Business:*

11th Floor

68 Yee Wo Street

Causeway Bay

Hong Kong

8 April 2011

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION ESTABLISHMENT OF JOINT VENTURE**

#### **INTRODUCTION**

Reference is made to the joint announcement of Century City, the Company and Regal dated 17 March 2011, in which the Board announced that on 17 March 2011 (after trading hours), the Company, Regal, Capital Merit and Regal Investments entered into the Shareholders' Agreement in connection with the establishment of JV Co for the development of real estate projects for sale and/or leasing.

The purposes of this circular is to provide you with, among other things, details of the Transaction including the terms and conditions of the Shareholders' Agreement, and the financial information of the Group.

#### **ESTABLISHMENT OF JOINT VENTURE**

The respective boards of directors of Century City, the Company and Regal jointly announced that on 17 March 2011 (after trading hours), the Company, Regal, Capital Merit and Regal Investments had entered into the Shareholders' Agreement in connection with the establishment of JV Co for the development of real estate projects for sale and/or leasing.

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## LETTER FROM THE BOARD

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The principal terms of the Shareholders' Agreement are as follows:-

- Date: 17 March 2011
- Parties: Capital Merit, a wholly-owned subsidiary of the Company, as shareholder of JV Co
- Regal Investments, a wholly-owned subsidiary of Regal, as shareholder of JV Co
- the Company, as guarantor for Capital Merit
- Regal, as guarantor for Regal Investments
- Conditions precedent: The obligations of the parties to the Shareholders' Agreement are conditional upon the fulfilment of the following conditions:-
- (a) the obtaining of an ordinary resolution by the shareholders of each of Century City, the Company and Regal (other than those who are required to abstain from voting under the Listing Rules) either passed at a general meeting of each of Century City, the Company and Regal or by way of a written resolution approving the Transaction; and
  - (b) compliance by each of Century City, the Company and Regal with all other applicable requirements under the Listing Rules.
- All the above conditions precedent cannot be waived by the parties to the Shareholders' Agreement. If all such conditions precedent are not fulfilled by 31 May 2011 (or such other date as the parties may agree in writing), the Shareholders' Agreement shall be terminated automatically and have no further force and effect and none of the parties to the Shareholders' Agreement shall have any liability thereunder (without prejudice to the rights of the parties thereto in respect of any antecedent breaches).
- Shareholdings in JV Co: Capital Merit - 50%
- Regal Investments - 50%
- Maximum total capital commitment: HK\$3,800 million, which will be contributed by Capital Merit and Regal Investments in a maximum capital commitment of HK\$1,900 million each and on a pro-rata basis according to their respective shareholdings in JV Co.

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## LETTER FROM THE BOARD

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- Scope of business: The development of real estate projects for sale and/or leasing and the doing of such acts, matters and things as may be necessary for or ancillary or incidental to the principal business of the JV Group as aforesaid, and the undertaking of related investment and financing activities.
- Board representation: Capital Merit and Regal Investments will each nominate up to 4 directors to the board of directors of JV Co.
- Funding and provision of security: The maximum capital commitment of Capital Merit and Regal Investments shall be contributed on a pro-rata basis in accordance with their respective shareholdings in JV Co by way of subscription of new shares in JV Co and/or provision of shareholder loans and/or provision of security or guarantee for the benefit of the JV Group in such amount and in such manner as determined by the board of directors of JV Co.
- The JV Group may also obtain funding for the conduct of its business from banks and/or financial institutions on such terms as the board of directors of JV Co may determine from time to time provided that in case any guarantee and/or security are required to be given by Capital Merit and Regal Investments or the Company and Regal to such banks and/or financial institutions for such funding, then such guarantee and/or security shall be given by the Group and the Regal Group on a several basis in accordance with the respective shareholdings of Capital Merit and Regal Investments in JV Co.
- Dividend policy: Any proceeds available for distribution by the JV Group will be applied in such manner as determined by the board of directors of JV Co from time to time.
- Transfer of shares of JV Co: Save for the purpose of procuring funding from banks and/or financial institutions for the JV Group, or any sale or transfer of shares of JV Co or of the beneficial interests of any form in JV Co between the wholly-owned subsidiaries of the Company or Regal (as the case may be), or any transfer of shares of JV Co in accordance with the terms of the Shareholders' Agreement, neither Capital Merit or the Company nor Regal Investments or Regal shall sell, assign, transfer, pledge or otherwise encumber the shares of JV Co and/or the beneficial interests of any form in JV Co and/or the shareholder loans without the prior written consent of the other holder of shares of JV Co.

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## LETTER FROM THE BOARD

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- Related party transactions: Any related party transactions to be entered into by the JV Group (unless in the normal course of business and on normal commercial terms after arm's length negotiation) shall be approved by all the shareholders of JV Co. Any sale or purchase of land, property or real estate development project or leasing of property by the JV Group from or to either the Group or the Regal Group or their respective associates shall be supported by an independent valuation report and approved by the board of directors of JV Co with the directors nominated by the relevant shareholder of JV Co abstaining from voting.
- Termination: The Shareholders' Agreement shall terminate upon the occurrence of any of the following events:-
- (a) by all the parties thereto in writing; or
  - (b) all the shares of JV Co are held beneficially by one shareholder of JV Co; or
  - (c) in accordance with its provisions.

### REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in property development and investment, construction and building related businesses, and other investments including, in particular, its interests in Regal.

The Regal Group undertakes hotel operation and management, and property development and property investment as part of its principal business activities. It is expected that many new development projects may involve different types of properties, including commercial, office, residential and hotel, and in some cases may involve composite developments with mixed components. In the undertaking of new property developments, it is of mutual benefit to both the Group and the Regal Group that they join force to form a sizeable joint venture company with greater financial capability and to tap and capitalise on each party's experience and expertise; particularly, on the Group with respect to its experience and expertise on general property development, project management, design and construction, and on the Regal Group with respect to its experience and expertise on hotel operation and management and luxury residential development. Hence, with the combined resources, experience and expertise of the Group and the Regal Group as aforesaid, the formation of JV Co, if approved, will provide the Group and the Regal Group with the required flexibility to respond swiftly to any available viable business opportunities from time to time, should both the Group and the Regal Group consider that it is in the benefit of the respective shareholders of the Company and Regal as a whole to undertake such business opportunities through the JV Group.

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## LETTER FROM THE BOARD

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It is the intention of the Company and Regal that upon the Shareholders' Agreement becoming unconditional, JV Co may acquire from the Group certain property development projects in Hong Kong as the JV Group's starting projects. According to the terms of the Shareholders' Agreement, the proposed acquisition of such property development projects by JV Co from the Group shall be supported by an independent valuation report and approved by the board of directors of JV Co with the directors nominated by Capital Merit abstaining from voting. The Company will comply with the necessary requirements of the Listing Rules in selling such property development projects to JV Co.

The Directors take the view that the Transaction is in the ordinary and usual course of business of the Group and believe that the terms of the Transaction are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and would recommend the Shareholders to vote in favour of any resolution approving the Transaction if a general meeting were to be held.

### FINANCIAL EFFECT OF THE TRANSACTION ON THE GROUP

Based on the maximum total capital commitment of HK\$3,800 million to JV Co, the maximum capital commitment of the Group to JV Co is HK\$1,900 million.

The funding requirement by JV Co will be in stages and will be contributed in such amount and in such manner as determined by the board of directors of JV Co. It is expected that the funding required by the Group for making the capital contribution to JV Co will be sourced by the Group from its internal resources and that the funding requirement for making the capital contribution would not have any material impact on the Group.

As JV Co will be owned by Capital Merit and by Regal Investments on a 50:50 basis, JV Co will be treated as a jointly controlled entity of the Company, and hence JV Co will not be classified as a subsidiary of the Company under Rule 1.01 of the Listing Rules and the results of the JV Group will be accounted for by the Company using the equity method in accordance with Hong Kong Accounting Standard 31.

### REGULATORY IMPLICATIONS

As the maximum capital commitment of the Group to JV Co is more than 25% but less than 100% of the applicable percentage ratios, the Transaction constitutes a major transaction for the Company and is subject to reporting, announcement and Shareholders' approval requirements under Rule 14.33 of the Listing Rules. As at the date of the Shareholders' Agreement, the Company was owned as to approximately 60% by Century City through its wholly-owned subsidiaries. As no Shareholder had a material interest in the Transaction, no Shareholder would be required to abstain from voting in respect thereof if a general meeting were to be held.

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## LETTER FROM THE BOARD

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The Transaction has been approved by the closely allied major shareholders' group of the Company (comprising (i) Almighty International Limited (a wholly-owned subsidiary of Century City), which owns approximately 29.14% of the issued Shares; (ii) Century City Holdings Limited (a wholly-owned subsidiary of Century City), which owns approximately 2.70% of the issued Shares; (iii) Cleverview Investments Limited (a wholly-owned subsidiary of Century City), which owns approximately 16.08% of the issued Shares; (iv) Gold Concorde Holdings Limited (a wholly-owned subsidiary of Century City), which owns approximately 2.59% of the issued Shares; (v) Meylink Limited (a wholly-owned subsidiary of Century City), which owns approximately 4.32% of the issued Shares; (vi) Smartaccord Limited (a wholly-owned subsidiary of Century City), which owns approximately 0.75% of the issued Shares; and (vii) Splendour Corporation (a wholly-owned subsidiary of Century City), which owns approximately 4.43% of the issued Shares) by way of written approval in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened for the purpose of approving the Transaction.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Paliburg Holdings Limited**  
**LO Yuk Sui**  
*Chairman and Chief Executive Officer*

**AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

Financial information of the Group for each of the years ended 31 December 2007, 2008 and 2009 is disclosed on pages 58 to 134 of the annual report of the Company for the year ended 31 December 2008 and pages 51 to 129 of the annual report of the Company for the year ended 31 December 2009, both of which are available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.paliburg.com.hk](http://www.paliburg.com.hk)).

**UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND 2010**

Financial information of the Group for each of the six months ended 30 June 2009 and 2010 is disclosed on pages 14 to 33 of the interim report of the Company for the six months ended 30 June 2010 which is available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.paliburg.com.hk](http://www.paliburg.com.hk)).

**PRELIMINARY RESULTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2010**

Preliminary results of the Group for the year ended 31 December 2010 is disclosed in the final results announcement for the year ended 31 December 2010 published by the Company on 24 March 2011 which is available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.paliburg.com.hk](http://www.paliburg.com.hk)).

**INDEBTEDNESS**

As at the close of business on 28 February 2011, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding borrowings of approximately HK\$50.0 million which represented a bank loan secured by certain shares in its listed associate.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 28 February 2011, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance leases commitments, or any guarantees or other material contingent liabilities.

**FINANCIAL AND TRADING PROSPECTS****FINANCIAL RESULTS**

For the year ended 31 December 2010, the Group achieved a consolidated profit attributable to shareholders of HK\$2,150.5 million, as compared to the comparative profit of HK\$430.6 million (as restated) attained in 2009. The significant improvement in the profit achieved was mainly attributable to the increased share of profit from Regal, the listed associate of the Group, principally derived from the accounting profit recognised by Regal on the consolidation of Regal REIT as its subsidiary.

The background to the recognition by Regal of this accounting profit and its impact on the Group's results have been disclosed in the earlier joint announcement by the Company dated 2 December 2010. Nevertheless, before accounting for the net contribution from Regal and other associates and the finance costs, the operating profit achieved by the Group for 2010 amounted to HK\$441.9 million, including fair value gains on the changes in the fair values of the financial assets, as compared with the corresponding amount of HK\$312.8 million (as restated) attained last year.

During the year 2010, substantially all of the 2010 Warrants of the Company have been exercised prior to their expiry date in November. Aggregate subscription proceeds of approximately HK\$226.1 million have been received and a total of approximately 107.7 million new Shares of the Company have thus been issued.

## **BUSINESS OVERVIEW**

### **PROPERTIES**

The Group has a 30% interest in Larvotto, the luxury residential development project at Ap Lei Chau Inland Lot No.129. The development has a total gross floor area of approximately 913,000 square feet, comprising 9 residential towers with 715 residential apartments and certain commercial areas on the ground floor, complemented with club house and car parking facilities. Up to date, over 95% of the residential apartment units and about 65% of the carparks have been presold for aggregate sale consideration exceeding HK\$15 billion. The Group's interest in Larvotto is still being carried at a very low investment amount. The occupation permit for the Larvotto development was issued late last year and according to the accounting policies adopted by the Group, the profit from the sale of the units in Larvotto will be recognised by the Group in 2011 in which the certificate of compliance for the development has been issued.

When the Group sold the 75% beneficial interests in the properties at the commercial building at No.211 Johnston Road to Regal REIT in October 2009, which properties are now being operated as the Regal iClub Hotel, the Group granted an option to Regal REIT to acquire the remaining 25% interests from the Group on predetermined terms. Regal REIT has exercised the option in December 2010 to acquire from the Group the remaining 25% interests based on the pre-agreed undiscounted valuation for the properties of HK\$479.0 million and the transaction has been duly completed on 31 December 2010.

With respect to the joint development project in the Central Business District in Beijing, PRC and as previously reported, an associate that is 50% owned by each of the Group and the Regal Group, which holds 59% shareholding interest in the Sino-foreign joint venture entities (which, in turn, own the development project), was engaged in arbitration proceedings conducted in Beijing, involving claims against the associate by the vendor for the rescission of the contracts entered into between the parties in 2005 for the purchase by the associate of 36% shareholding interest in the joint venture entities. Although the relevant court rejected the petitions made by the associate for the setting aside of the unfavourable arbitral awards, the associate is still resorting to other available legal means to safeguard the aforesaid 36% shareholding interest and to pursue its legal rights against the vendor. On the other hand, the joint venture entities are encountering various difficult issues including shareholders' disputes, lawsuits raised by the Chinese joint venture partner and a third party, and

outstanding issues relating to the land development rights of the project. The associate and the joint venture entities are still in discussions with the Chinese joint venture partner and the relevant government authorities in an attempt to resolve the abovementioned issues. While the Group's management will persist in striving to tackle the overall difficult situation and to protect the Group's interests in the project, due to the lack of progress in resolving various issues for a prolonged period and having taken into account the complications in the overall situation, the Group's management considers it appropriate to make a further provision at the associate's level in respect of its investment in the project in the amount of HK\$801.0 million and 50% of which is directly attributable to the Group.

With a view to replenishing the Group's land bank, the Group has recently acquired two development sites in Hong Kong. After reviewing alternative development proposals and having regard to the prosperous outlook of the lodging business in Hong Kong, it is presently intended that both sites are to be developed as hotels.

The first development site is located at Nos.132-140 Bonham Strand in Sheung Wan on Hong Kong Island. It has a site area of approximately 5,070 square feet and plans have been approved for the construction of a hotel with 199 guestrooms and suites. The Group has submitted to the Building Authority for approval revised general building plans for the development of a hotel with 240 guestrooms and suites with gross floor area of approximately 77,450 square feet. The foundation works have recently commenced and the overall construction works are scheduled to be completed in the third quarter of 2013.

The other development site is constituted by two adjoining properties located at Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, also in Sheung Wan district, with an aggregate site area of approximately 3,720 square feet. The agreements for the sale and purchase of this development property have been signed and scheduled to be completed in April and May 2011, respectively. The general building plans for the proposed development of a hotel with 140 guestrooms and suites with total gross floor area of approximately 56,590 square feet will be submitted to the Building Authority for approval shortly. The overall development is expected to be completed in the second quarter of 2014.

## **CONSTRUCTION AND BUILDING RELATED BUSINESSES**

The Group operates a comprehensive range of construction and other building related business, encompassing development consultancy comprising architectural, engineering and interior design services, project management, building services, estate management as well as technology-based building management and security system and services. These business units have on the whole maintained steady performance and generated satisfactory results during the year 2010.

## **OTHER INVESTMENTS**

As part of its principal businesses activities, the Group maintains a significant investment portfolio comprising primarily of listed investments, including the substantial investments in the shares and bonds of the Cosmopolitan group which are held for long term strategic purposes. As the

market price of the Cosmopolitan shares as at 31 December 2010 has increased above the price prevailing as at the half year end date, the gains thus arising from the changes in the fair values of such Cosmopolitan shares and bonds have been reflected in the consolidated financial statements of the Group presented for the year ended 31 December 2010.

### **REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED**

For the year ended 31 December 2010, Regal achieved a consolidated profit attributable to shareholders of HK\$6,928.8 million, which is significantly above the comparative amount of HK\$448.0 million (as restated) attained for the preceding financial year. The profit achieved by Regal for the year included an accounting profit of HK\$6,637.4 million derived from the consolidation of Regal REIT as its subsidiary with effect from 23 July 2010.

### **HOTELS**

#### **HONG KONG HOTEL MARKET**

2010 was on the whole a favourable year for the tourism and hotel industries in Hong Kong, with particularly strong performance in the fourth quarter. Visitors from all overseas markets generally recorded healthy growth, while the increase in the visitors from Mainland China has been most notable. Total visitor arrivals to Hong Kong during the year hit a new record high of over 36 million, with visitors from Mainland China increased to account for about 63% of the total count.

Visitors from Mainland China are on the whole growing in affluence. Based on the information published by Hong Kong Tourism Board, for the six months from January to June 2010, visitors from Mainland China had the highest Per Capita Overnight Visitor Spending among major market areas, exceeding those from the Americas and Europe. With the further relaxation of the restrictions on overseas travel for the Mainland residents, the visitors from Mainland China are expected to grow in number and will continue to provide substantial support to the tourism and hotel industries in Hong Kong.

According to the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy rate for all hotels in different categories in Hong Kong for the year 2010 was 87%, as compared to 78% in the preceding year, while the average achieved room rate has improved by 13.9%.

#### **HOTEL OWNERSHIP**

The Regal Group's hotel ownership business is undertaken through Regal REIT, in which the Regal Group is holding approximately 74.4% of its issued units.

For the year ended 31 December 2010, Regal REIT achieved a consolidated net profit before distribution to unitholders of HK\$997.1 million, which was an increase of 46.1% over the comparative amount of HK\$682.3 million (as restated) recorded for the year 2009. Total distributable income for the year amounted to approximately HK\$682.9 million, as compared to HK\$558.2 million for the preceding year.

The second stage conversion project at the Regal iClub Building in Wanchai has been completed in December 2010 and added another 49 fully furnished hotel guestrooms and suites. All the 99 guestrooms and suites in the Regal iClub Hotel are now in full operation. The business model of the Regal iClub Hotel has proven to be successful and generated very satisfactory operating results.

All the six Regal Hotels in Hong Kong, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel and the latest Regal iClub Hotel, are now wholly-owned by Regal REIT. This hotel portfolio commands an aggregate of 3,929 quality guestrooms and suites and accounts for over 11% of the total High Tariff A and High Tariff B hotel room inventory in Hong Kong. The total valuation of this portfolio amounted to HK\$14,880.0 million as at 31 December 2010, representing an increase of about 4.1% as compared with that of the preceding year end.

Regal Portfolio Management Limited, a wholly-owned subsidiary of Regal, acts as the manager of Regal REIT.

#### **HOTEL OPERATIONS**

Benefiting from a relatively favourable operating environment and the extensive upgrading works invested over the recent years on enhancing the quality and standards of the hotel properties, the average occupancy rate for the five Regal Hotels in Hong Kong (apart from the Regal iClub Hotel which only came into full operation in December 2010) for the year was 85.8%, representing a year-on-year increase of 15.5%.

Faced with added competition in the airport area, the Regal Airport Hotel has adjusted its marketing strategy to take on some additional tour group businesses, with a view to regaining market share. For the year ended 31 December 2010, the average occupancy rate for this hotel has rebounded by 36.2% which, although had some diluting effect on the average room rate, has served to increase the Revenue per Available Room (RevPAR) by 12.9% as compared with the previous year. The other four Regal Hotels have performed well and achieved a year-on-year increase of 19.6% in average RevPAR.

The five Regal Hotels in Hong Kong (other than the Regal iClub Hotel which is owned and operated by Regal REIT) are under lease by Regal REIT to a wholly-owned subsidiary of the Regal Group. For the years 2011 to 2015, the rental package for the five hotels is subject to annual review and is to be determined by an independent professional property valuer to be jointly appointed by the lessors and the lessee under the lease arrangement. The rental review process to determine the rental package for 2011 has been completed and the aggregate base rent has been determined to be HK\$560 million, with variable rent basing on a sharing of 50% of the excess of the aggregate net property income of the five hotels over the aggregate base rent. Based on present forecasts and barring any unforeseen circumstances, the net property income of these five Regal Hotels in 2011 should well exceed the base rent level.

#### **HOTEL MANAGEMENT**

All the six Regal Hotels in Hong Kong are managed by Regal Hotels International Limited, a wholly-owned subsidiary of the Regal Group.

In China, the Regal Kangbo Hotel in Dezhou, Shandong was soft opened for business in September 2010. This 215-room deluxe hotel is the first five-star international hotel in Dezhou and is also the fifth hotel managed under the Regal name and operating in China. In the year 2010, the Regal Group entered into two management contracts for the provision of hotel management services to a four-star business hotel in Suzhou, Jiangsu, to be named as the Regal Fanhua Center Hotel, and a five-star hotel in Zhengzhou, Henan, to be named as the Regal Yuhong Hotel, respectively. The Regal Yuhong Hotel in Zhengzhou is scheduled to be opened for business in 2012 and the Regal Fanhua Center Hotel in Suzhou in 2013.

Recently, the Regal Group concluded a management contract for a hotel project being constructed on top of a metro station in Foshan, Guangdong, located on the Guangzhou-Foshan railway network. The hotel will be a four-star business hotel with 230 well-appointed guestrooms and scheduled to be opened in 2013. The Regal Plaza Hotel & Residence located in Waigaoqiao Free Trade Zone in Pudong, Shanghai, which is a hotel with service apartments offering a total of 282 units, is targeted to be soft opened in the second quarter of 2011. This will be the fourth Regal hotel to come on stream in Shanghai and the sixth overall in China.

Backed by its strong operating base in Hong Kong, the Regal Group will continue to expand its hotel network as planned.

#### **PROPERTIES**

Due to the scarcity of supply of luxury residential properties and the soaring land prices, the Regal Group has been cautious in the sale of the remaining houses held in Regalia Bay, Stanley, Hong Kong. Towards the end of the year 2010, the Regal Group entered into an agreement with the other shareholder in the jointly controlled entity that developed the Regalia Bay project, pursuant to which the Regal Group agreed to acquire from that other shareholder its interests in the two remaining allocated houses held through the jointly controlled entity. The relevant transaction under the agreement was completed in January 2011. Presently, the Regal Group still owns 21 houses in Regalia Bay, in addition to the two connected houses which have been contracted to be sold and pending completion.

The Regal Group owns a 50% interest in a composite development project in Chengdu, Sichuan. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 420,000 square feet. Foundation and basement works for the hotel development have commenced and the first phase of hotel is presently scheduled to be soft opened in the fourth quarter of 2012. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total saleable area of approximately 489,000 square feet. Site preparation and formation works for this part of the development have been completed and the basement works will commence shortly, with overall construction works scheduled to be completed in the fourth quarter of 2012. Presale of the residential units is anticipated to be launched in the first quarter of 2012. Development works for the other stages are planned to be carried out progressively.

As referred to above, Regal Group is the joint venture partner of the Group with respect to the investment in the development project in the Central Business District of Beijing held through the 50%-owned associate.

#### **OTHER INVESTMENTS**

The Regal Group holds an investment portfolio consisting primarily of listed investments. The Regal Group also holds within the portfolio a substantial holding of convertible bonds issued by Cosmopolitan group, apart from certain minor holding of issued shares of Cosmopolitan. The fair value gains arising from the securities held in the Cosmopolitan group, which were intended to be held for long term strategic purpose, have been reflected in the consolidated financial statements of Regal for the year ended 31 December 2010.

#### **OUTLOOK**

The continuing integration of Hong Kong with China's economy, which will be heightened through the construction of large scale infrastructure projects and transport networks connecting with the Pearl River Delta region, will increase Hong Kong's competitive edge as an international gateway city. China's 12th Five-year Plan has further endorsed and strengthened the positioning of Hong Kong as an international financial center, an international asset management center and a Renminbi offshore center. In the meantime, Hong Kong is embarking on a number of new tourism projects, such as the Ocean Park redevelopment and the Hong Kong Disneyland expansion, which will all help to maintain Hong Kong as a favourite tourist destination. All these positive factors will boost tourist and business travels to Hong Kong, which will in turn benefit the growth in the future capital value and earnings of the Regal Group's hotel properties.

The property market in Hong Kong continued on the rise during the first few months of the year 2011. Considering the scarcity of supply and the mounting demand for high end luxury properties, the management of Regal believes that the value of the Regal Group's houses in Regalia Bay will further appreciate.

Proceeds from the Larvotto development expected to be received in 2011 will strengthen the Group's financial position and cash resources. The Group is planning to further expand its property portfolio, which may be taken on either by the Group on its own or, as deemed appropriate, to be undertaken through JV Co.

#### **WORKING CAPITAL**

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

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF DIRECTORS' INTERESTS

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

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at Latest Practicable Date)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr Lo	Ordinary				
		(i) issued	61,926,014	721,426,803 (Note b(i))	15,000	783,367,817
		(ii) unissued	20,088,000 (Note b(ii))	—	—	20,088,000
				Total (i) & (ii):	803,455,817 (71.47%)	
	Mr Donald Fan Tung	Ordinary				
		(i) issued	556	—	—	556
(ii) unissued		2,232,000 (Note c)	—	—	2,232,000	
			Total (i) & (ii):	2,232,556 (0.20%)		

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at Latest Practicable Date)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr Jimmy Lo Chun To	Ordinary				
		(i) issued	42,600	—	—	42,600
		(ii) unissued	2,232,000 <i>(Note c)</i>	—	—	2,232,000
					Total (i) & (ii):	2,274,600 (0.20%)
	Miss Lo Po Man	Ordinary (unissued)	1,116,000 <i>(Note d)</i>	—	—	1,116,000 (0.10%)
	Mr Kenneth Ng Kwai Kai	Ordinary				
		(i) issued	75,000	—	—	75,000
		(ii) unissued	2,176,200 <i>(Note e)</i>	—	—	2,176,200
					Total (i) & (ii):	2,251,200 (0.20%)
	Mr Ng Siu Chan	Ordinary (issued)	—	—	80,474	80,474 (0.007%)
	Mr Kenneth Wong Po Man	Ordinary				
		(i) issued	200	—	—	200
	(ii) unissued	1,116,000 <i>(Note d)</i>	—	—	1,116,000	
				Total (i) & (ii):	1,116,200 (0.10%)	
2. Century City	Mr Lo	Ordinary				
		(i) issued	63,603,396	1,769,164,691 <i>(Note a(i))</i>	380,683	1,833,148,770
		(ii) unissued	35,840,000 <i>(Note a(ii))</i>	—	—	35,840,000
					Total (i) & (ii):	1,868,988,770 (57.55%)
Mr Jimmy Lo Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)	

The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at Latest Practicable Date)
			Personal interests	Corporate interests	Family/Other interests	
2. Century City	Miss Lo Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.003%)
	Mr Ng Siu Chan	Ordinary (issued)	—	—	3,521,973	3,521,973 (0.11%)
	Mr Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)
3. Regal	Mr Lo	Ordinary (i) issued	24,200	494,835,261 (Note f(i))	260,700	495,120,161
		(ii) unissued	20,000,000 (Note f(ii))	—	—	20,000,000
	Total (i) & (ii):					515,120,161 (51.44%)
	Mr Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note g)	—	—	2,000,000 (0.20%)
	Mr Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note h)	—	—	1,500,000 (0.15%)
	Miss Lo Po Man	Ordinary (i) issued	300,000	—	269,169 (Note i(i))	569,169
		(ii) unissued	3,000,000 (Note i(ii))	—	—	3,000,000
	Total (i) & (ii):					3,569,169 (0.36%)
	Mr Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note g)	—	—	2,000,000 (0.20%)
	Mr Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)

## Notes:

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

- (ii) The interests in 35,840,000 unissued ordinary shares of Century City were held through the interests in the options granted under the share option scheme of Century City named as “The Century City International Holdings Limited Share Option Scheme”, entitling the holder thereof to subscribe for a total of 35,840,000 new ordinary shares of Century City at an adjusted exercise price of HK\$1.172 per ordinary share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 12 May 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of Century City under vested options</b>
12 May 2007 to 11 May 2011	14,336,000
12 May 2008 to 11 May 2011	7,168,000
12 May 2009 to 11 May 2011	7,168,000
12 May 2010 to 11 May 2011	7,168,000

- (b) (i) The interests in 674,690,547 issued Shares were held through companies wholly-owned by Century City, in which Mr Lo held 56.44% shareholding interests.

The interests in 16,271,685 issued Shares were held through corporations controlled by Mr Lo as detailed below:

<b>Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
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 Shares were held through corporations controlled by Mr Lo as detailed below:

<b>Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
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

- (ii) The interests in 20,088,000 unissued Shares were held through the interests in the options granted under the share option scheme of the Company named as “The Paliburg Holdings Limited Share Option Scheme” (the “Paliburg Share Option Scheme”), entitling the holder thereof to subscribe for a total of 20,088,000 new Shares at an adjusted exercise price of HK\$1.97 per Share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 12 May 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of Shares under vested options</b>
12 May 2007 to 11 May 2011	8,035,200
12 May 2008 to 11 May 2011	4,017,600
12 May 2009 to 11 May 2011	4,017,600
12 May 2010 to 11 May 2011	4,017,600

- (c) The interests in 2,232,000 unissued Shares were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,232,000 new Shares at an adjusted exercise price of HK\$1.97 per Share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of Shares under vested options</b>
25 July 2007 to 24 July 2011	892,800
25 July 2008 to 24 July 2011	446,400
25 July 2009 to 24 July 2011	446,400
25 July 2010 to 24 July 2011	446,400

- (d) The interests in 1,116,000 unissued Shares were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,116,000 new Shares at an adjusted exercise price of HK\$1.97 per Share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of Shares under vested options</b>
25 July 2007 to 24 July 2011	446,400
25 July 2008 to 24 July 2011	223,200
25 July 2009 to 24 July 2011	223,200
25 July 2010 to 24 July 2011	223,200

- (e) The interests in 2,176,200 unissued Shares were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,176,200 new Shares at an adjusted exercise price of HK\$1.97 per Share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of Shares under vested options</b>
25 July 2007 to 24 July 2011	837,000
25 July 2008 to 24 July 2011	446,400
25 July 2009 to 24 July 2011	446,400
25 July 2010 to 24 July 2011	446,400

- (f) (i) The interests in 421,400 issued ordinary shares of Regal were held through companies wholly-owned by Century City, in which Mr Lo held 56.44% shareholding interests, and the interests in the other 494,413,861 issued ordinary shares of Regal were held through companies wholly-owned by the Company, in which Century City held 60.01% shareholding interests.

- (ii) The interests in 20,000,000 unissued ordinary shares of Regal were held through the interests in the options granted under the share option scheme of Regal named as “The Regal Hotels International Holdings Limited Share Option Scheme” (the “Regal Share Option Scheme”), entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of Regal at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 12 May 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of Regal under vested options</b>
12 May 2007 to 11 May 2011	8,000,000
12 May 2008 to 11 May 2011	4,000,000
12 May 2009 to 11 May 2011	4,000,000
12 May 2010 to 11 May 2011	4,000,000

- (g) The interests in 2,000,000 unissued ordinary shares of Regal were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,000,000 new ordinary shares of Regal at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of Regal under vested options</b>
25 July 2007 to 24 July 2011	800,000
25 July 2008 to 24 July 2011	400,000
25 July 2009 to 24 July 2011	400,000
25 July 2010 to 24 July 2011	400,000

- (h) The interests in 1,500,000 unissued ordinary shares of Regal were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,500,000 new ordinary shares of Regal at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of Regal under vested options</b>
25 July 2007 to 24 July 2011	600,000
25 July 2008 to 24 July 2011	300,000
25 July 2009 to 24 July 2011	300,000
25 July 2010 to 24 July 2011	300,000

- (i) (i) The interests in 269,169 issued ordinary shares of Regal were held by Miss Lo Po Man as the beneficiary of a trust.
- (ii) The interests in 3,000,000 unissued ordinary shares of Regal were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 3,000,000 new ordinary shares of Regal at an adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

Exercise period	Number of ordinary shares of Regal under vested options
25 July 2007 to 24 July 2011	1,200,000
25 July 2008 to 24 July 2011	600,000
25 July 2009 to 24 July 2011	600,000
25 July 2010 to 24 July 2011	600,000

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.

Details of directorships of the Directors in each of the following substantial shareholders of the Company 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, Mr Donald Fan Tung, Mr Jimmy Lo Chun To, Miss Lo Po Man, Mr Kenneth Ng Kwai Kai, Mr Ng Siu Chan and Mr Wong Chi Keung are directors of Century City.
- (2) Mr Lo, Mr Donald Fan Tung and Mr Kenneth Ng Kwai Kai are directors of Century City BVI Holdings Limited, Almighty International Limited and Cleverview Investments Limited.

### 3. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

**4. SERVICE CONTRACTS**

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

**5. LITIGATION**

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

**6. COMPETING INTERESTS**

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

**7. MATERIAL CONTRACTS**

None of the members of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular that are or may be material.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the office 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 28 April 2011:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2008 and 2009 and the interim report of the Company for the six months ended 30 June 2010;
- (c) the final results announcement for the year ended 31 December 2010 published by the Company on 24 March 2011; and
- (d) the Shareholders' Agreement.

**10. GENERAL**

- (a) The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong. The registered office of the Company is located at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms Lam Sau Fun, Eliza, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text.