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## JOINT ANNOUNCEMENT

This joint announcement is made voluntarily by Century City, Paliburg and Regal.

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 that Regal REIT should be treated as a subsidiary of Regal (instead of being treated as an associate of Regal as it was before the Amendments) and the results of Regal REIT should be consolidated with those of the Regal Group effective as from the aforesaid date.

Regal's interest in Regal REIT was only stated in 2010 Interim Report of Regal at HK\$218.7 million and it was explained that if such interest were to have been stated based on the published unaudited adjusted net asset value per unit of Regal REIT of HK\$2.92 as at 30 June 2010, the unaudited adjusted net assets of the Regal Group would have increased by an amount of HK\$6,793.4 million to HK\$11,595.4 million. Upon consolidation of Regal REIT as a subsidiary of Regal, the assets and liabilities of Regal REIT and its subsidiaries will be consolidated and recognised in the consolidated financial statements of Regal based on their fair market values as at 23 July 2010, and hence a substantial part of the aforesaid amount of HK\$6,793.4 million will effectively be reflected as an accounting gain in the consolidated financial statements of Regal for the financial year ending 31 December 2010. The hotel properties that are owned by Regal REIT and leased to the Regal Group will continue to be treated as investment properties by Regal REIT but will be classified as property, plant and equipment in the consolidated financial statements of Regal and subject to depreciation charges. There will be other consequential changes in accounting treatments upon the consolidation of Regal REIT as a subsidiary of Regal and these will all be set out in the consolidated financial statements of Regal for the financial year ending 31 December 2010.

Regal is a listed associate of each of Century City and Paliburg. It was explained in the 2010 Interim Report of Paliburg that its unaudited adjusted consolidated net assets would have increased by HK\$1,792.2 million to HK\$7,389.5 million if Regal's interest in Regal REIT were to have been stated based upon the aforesaid published unaudited adjusted net asset value per unit of Regal REIT as at 30 June 2010. As a result of the consolidation of Regal REIT as a subsidiary of Regal, a substantial part of the aforesaid amount of HK\$1,792.2 million will similarly be reflected as an accounting gain in the consolidated financial statements of

Paliburg, and likewise for Century City (before allocation to its non-controlling interests), for the financial year ending 31 December 2010.

The calculation of the accounting gains mentioned in this joint announcement and the changes to the accounting treatments are subject to finalisation and audit by the external auditors of Century City, Paliburg and Regal.

**Although Regal REIT will be treated as a subsidiary of Regal as a result of the Amendments, Regal REIT will continue to operate independently of the Regal Group. Shareholders and prospective investors of each of Century City, Paliburg and Regal should note that the above accounting gains expected to be derived are solely a result of the change in accounting treatment in consolidating Regal REIT as a subsidiary of Regal. Shareholders and prospective investors of each of Century City, Paliburg and Regal should accordingly exercise caution when assessing the financial positions, results and prospects of each of the Century City Group, the Paliburg Group and the Regal Group.**

This joint announcement is made voluntarily by Century City, Paliburg and Regal.

## **Background**

The Century City Group (not including the Paliburg Group) holds 59.12% of the issued ordinary share capital of Paliburg and Paliburg is a subsidiary of Century City. The Paliburg Group holds approximately 49.24% of the issued ordinary share capital of Regal. Regal is an associate of Century City and Paliburg. The ordinary shares and the warrants of Century City and the ordinary shares of Paliburg and Regal are all listed on the Stock Exchange.

In 2007, the Spin-off of Regal REIT on the Stock Exchange was completed. Upon completion of the Spin-off, Regal REIT was owned as to approximately 72% by Regal and approximately 28% by the public. As the Regal Group did not have the unilateral power to appoint or remove the REIT Manager pursuant to the then Trust Deed before the Amendments, the Regal Group was not considered to have unilateral power to govern the financial and operating policies of Regal REIT. As a result, Regal REIT was not treated as a subsidiary of Regal. However, as the Regal Group has significant influence over Regal REIT, it was accounted for as an associate of Regal.

As at the date of this joint announcement, the Regal Group holds approximately 74.41% 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.

## **Amendments to the Trust Deed**

As set out in Regal REIT's announcement dated 23 July 2010, certain amendments were made to the Trust Deed in compliance with the revisions made by the SFC to the REIT Code. The key Amendments were to:

- (1) allow the Trustee to remove the REIT Manager by written notice if an Ordinary Resolution is passed to dismiss the REIT Manager. Such removal right replaces the previous ability of the Trustee to remove the REIT Manager where Holders representing at least 75% in value of the Units issued and outstanding (excluding those held or deemed to be held by the REIT Manager and the Holders who have interest in retaining the REIT Manager) deliver to the Trustee a written request or a Special Resolution is passed, to dismiss the REIT Manager;
- (2) require that the appointment of a new manager of Regal REIT be subject to the prior approval of the SFC and, to the extent required by the REIT Code (as may be modified by any waivers or exemptions), the passing of an Ordinary Resolution; and
- (3) where a resolution is proposed for the removal or appointment of any person who (as the case may be) is proposed to be, or is, the manager of Regal REIT, permit all Holders, including (insofar as they are Holders) the outgoing REIT Manager, the proposing REIT Manager and their respective associates, to vote and be counted in the quorum for the purposes of passing such resolution.

The Amendments, which became effective on 23 July 2010, were made in compliance with Clause 26 of the Trust Deed and Paragraph 9.6 of the REIT Code whereby no specific approval from Holders is required.

#### **Implications of the Amendments**

As stated in the 2010 Interim Report of Regal published in September 2010, the Regal Group was assessing the impact of the Amendments on the accounting treatment of its investment in Regal REIT. The Regal Group has since been conducting consultation with Regal's external auditors. Regal's external auditors have recently confirmed that, as a result of the Amendments, the Regal Group is now considered to have the unilateral power to retain or remove the REIT Manager and therefore the unilateral control over the financial and operating policies of Regal REIT and, consequently, Regal REIT should be treated as a subsidiary of Regal. The board of directors of Regal has accordingly determined that Regal REIT should be consolidated as a subsidiary of Regal effective as from 23 July 2010, the date the Amendments came into effect.

In the 2007 Annual Report of Regal, the year the Spin-off of Regal REIT was completed, it was explained that due to the elimination of the unrealised gain attributable to the interest retained by the Regal Group in Regal REIT (which arose from the disposal of the hotel properties by the Regal Group to Regal REIT under the Spin-off), the interest held in Regal REIT by the Regal Group was stated in Regal's audited consolidated financial statements at an amount significantly below the Regal Group's attributable share of the underlying net assets of Regal REIT. Regal has consistently drawn the attention of its shareholders to this fact in its subsequent interim and annual reports.

In the 2010 Interim Report of Regal, it was explained that the interest held by the Regal Group in Regal REIT was only stated at an amount of HK\$218.7 million in the consolidated interim

financial statements and that if such interest were to have been stated based on the published unaudited adjusted net asset value per unit of Regal REIT of HK\$2.92 as at 30 June 2010, the unaudited adjusted net assets of the Regal Group would have increased by an amount of HK\$6,793.4 million to HK\$11,595.4 million.

Upon the consolidation of Regal REIT as a subsidiary of Regal, the assets (including the hotel properties) and liabilities (including the bank borrowings) of Regal REIT and its subsidiaries will be consolidated and recognised in the consolidated financial statements of Regal based on their fair market values as at 23 July 2010, and hence a substantial part of the aforesaid amount of HK\$6,793.4 million will effectively be reflected as an accounting gain in the consolidated financial statements of Regal for the financial year ending 31 December 2010. The hotel properties that are owned by Regal REIT and leased to the Regal Group will continue to be treated as investment properties by Regal REIT but will be classified as property, plant and equipment in the consolidated financial statements of Regal and subject to depreciation charges. There will be other consequential changes in accounting treatments upon the consolidation of Regal REIT as a subsidiary of Regal and these will all be set out in the consolidated financial statements of Regal for the financial year ending 31 December 2010.

As Regal is a listed associate of each of Century City and Paliburg, their respective consolidated financial positions have also been significantly affected by the elimination of the unrealised gain in the books of Regal for the same reasons as explained in the annual and interim reports of Century City and Paliburg. It was explained in the 2010 Interim Report of Paliburg that its unaudited adjusted consolidated net assets would have increased by HK\$1,792.2 million to HK\$7,389.5 million if Regal's interest in Regal REIT were to have been stated based upon the aforesaid published unaudited adjusted net asset value per unit of Regal REIT as at 30 June 2010. As a result of the consolidation of Regal REIT as a subsidiary of Regal, a substantial part of the aforesaid amount of HK\$1,792.2 million will similarly be reflected as an accounting gain in the consolidated financial statements of Paliburg, and likewise for Century City (before allocation to its non-controlling interests), for the financial year ending 31 December 2010.

The calculation of the accounting gains mentioned in this joint announcement and the changes to the accounting treatments are subject to finalisation and audit by the external auditors of Century City, Paliburg and Regal.

## **General**

**The change in the accounting treatment in respect of Regal's interest in Regal REIT arises from the Amendments to the Trust Deed in compliance with the revisions to the REIT Code. Although Regal REIT will be treated as a subsidiary of Regal as a result of the Amendments, Regal REIT will continue to operate independently of the Regal Group. Shareholders and prospective investors of each of Century City, Paliburg and Regal should note that the above accounting gains expected to be derived are solely a result of the change in accounting treatment in consolidating Regal REIT as a subsidiary of Regal. Shareholders and prospective investors of each of Century City,**

**Paliburg and Regal should accordingly exercise caution when assessing the financial positions, results and prospects of each of the Century City Group, the Paliburg Group and the Regal Group.**

## **Definitions**

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

“2007 Annual Report”	the annual report issued by Regal to its shareholders for the year ended 31 December 2007
“2010 Interim Report”	the interim report issued by (as the case may be) Century City, Paliburg or Regal to their respective shareholders for the six-month period ended 30 June 2010
“Amendments”	the amendments to the Trust Deed made pursuant to the fourth supplemental deed dated 23 July 2010 entered into between the Trustee and RPML
“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
“Holder(s)”	the name of the person for the time being entered in the register of holders of Units as the holder of a Unit and (where the context so admits) the names of the persons jointly so entered
“Ordinary Resolution”	a resolution passed at a meeting of Holders duly convened and held in accordance with the provisions contained in Schedule 1 to the Trust Deed and carried by a simple majority of the votes of those Holders present and entitled to vote in person or by proxy
“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
“Regal”	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 and its subsidiaries
“Regal REIT”	Regal Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) subject to applicable conditions from time to time
“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC (as amended from time to time)
“REIT Manager”	the manager of Regal REIT
“RPML”	Regal Portfolio Management Limited, being the REIT Manager and a wholly-owned subsidiary of Regal
“SFC”	The Securities and Futures Commission of Hong Kong
“Special Resolution”	a resolution passed at a meeting of Holders duly convened and held in accordance with the provisions contained in Schedule 1 of the Trust Deed and carried by 75% or more of the votes of those Holders present and entitled to vote in person or by proxy
“Spin-off”	the spin-off of Regal REIT and separate listing of the Units on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 RPML
“Trustee”	DB Trustees (Hong Kong) Limited, the trustee of Regal REIT
“Unit(s)”	unit(s) of Regal REIT which are listed on the Stock Exchange

**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, 2 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 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