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**JOINT ANNOUNCEMENT  
DISCLOSEABLE AND CONNECTED TRANSACTIONS FOR  
CENTURY CITY, PALIBURG AND REGAL  
THE STANLEY TRANSFER BETWEEN PALIBURG AND REGAL  
AND  
MAJOR TRANSACTION FOR CENTURY CITY AND PALIBURG  
SETTLEMENT PROPOSAL IN RESPECT OF  
THE EXCHANGEABLE BONDS AND THE CONVERTIBLE BONDS OF PALIBURG  
AND  
MAJOR AND CONNECTED TRANSACTION FOR CENTURY CITY  
VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION FOR PALIBURG  
THE PALIBURG ACQUISITION OF PALIBURG  
AND  
MAJOR AND CONNECTED TRANSACTION FOR CENTURY CITY  
THE SHARE SWAP OF CENTURY CITY  
AND  
THE PALIBURG CAPITAL REORGANISATION AND  
THE REGAL CAPITAL REORGANISATION**

Reference is made to the joint announcements of Century City, Paliburg and Regal dated 16th November, 2001 and 26th April, 2002 in relation to a settlement proposal for the Existing Bonds and the proposed transfer of a 40% interest in the Stanley Project from Paliburg to Regal. In relation to the latter, the boards of directors of Century City, Paliburg and Regal are pleased to announce that on 2nd August, 2002, Paliburg and its wholly-owned subsidiary, PDBVI, entered into the Stanley Transfer Agreement with Regal. Pursuant to the Stanley Transfer Agreement, the Paliburg Group has agreed to sell and Regal has agreed to purchase the Paliburg Group's interest in the Stanley Project and the Shareholder's Loan in consideration for the Consideration Shares.

The board of directors of Paliburg also wishes to announce that the detailed terms of the Settlement Proposal have been finalised and bondholders' circulars will be despatched to the Existing Bondholders as soon as practicable with a view to obtaining their approvals of the Settlement Proposal.

The Settlement Proposal involves, among other things, (i) the transfer by Paliburg of its 100% interest in Paliburg Plaza and Kowloon City Plaza which are subject to the mortgages created over them to secure a securitisation loan; and (ii) the phased release to the Existing Bondholders of the Subject Regal Shares by Paliburg. The Subject Regal Shares will represent approximately 31.7% of the enlarged issued ordinary share capital of Regal upon completion of the Stanley Transfer. Upon Bonds Settlement Closing, all the indebtedness in relation to the Existing Bonds, amounting to approximately HK\$3,646.4 million as at 31st December, 2001, will be cancelled.

On 2nd August, 2002, Paliburg entered into the Paliburg Acquisition Agreement with the Vendors and VPI for the acquisition of the entire share capital of VPI in issue at the completion date of the Paliburg Acquisition Agreement. In return, Paliburg will issue 3,450 million to 4,750 million Paliburg Convertible Preference Shares to the VPI Shareholders.

On 2nd August, 2002, Century City entered into the Share Swap Agreement with the Vendors and the Paliburg Shares SPC. Under the Share Swap Agreement, (i) each of the Vendors (including the First Vendor on behalf of certain New VPI Investors (if any, who will in aggregate own not more than 300 million Paliburg Convertible Preference Shares)) will sell Paliburg Convertible Preference Shares to the Paliburg Shares SPC; (ii) the Paliburg Shares SPC will issue the Exchangeable Preference Shares to each of the Vendors and certain New VPI Investors (Series A to the First Vendor and Series B to the others); and (iii) the First Vendor has agreed to sell and Century City has agreed to acquire the entire issued ordinary share capital of the Paliburg Shares SPC at HK\$8.00. Each of the holders of the Exchangeable Preference Shares (both Series A and Series B) can at any time during the Exchange Period (provided that the Paliburg Shares SPC remains a wholly-owned subsidiary of Century City) exercise the Rights to Put requiring Century City to acquire from it the Exchangeable Preference Shares and, in return, Century City will issue one Century City Ordinary Share for every Exchangeable Preference Share acquired. Century City can exercise the Rights to Call (provided that the Paliburg Shares SPC remains a wholly-owned subsidiary of Century City) to acquire the Series A Exchangeable Preference Shares from the holders of the Series A Exchangeable Preference Shares during the Exchange Period, provided that, among other things, the Century City Group has restructured its debts (in the reasonable opinion of the First Vendor), by issuing one new Century City Ordinary Share for every Series A Exchangeable Preference Share then acquired.

The board of directors of Paliburg proposes to reduce the nominal value of all its issued and unissued shares in the capital of Paliburg from HK\$1.00 to HK\$0.01 each pursuant to the Paliburg Capital Reorganisation.

The board of directors of Regal proposes to reduce the nominal value of all its issued and unissued ordinary shares in the capital of Regal from HK\$0.10 to HK\$0.01 each pursuant to the Regal Capital Reorganisation.

The Stanley Transfer constitutes a discloseable transaction and is deemed to be a connected transaction for each of Century City, Paliburg and Regal. The several guarantee which Paliburg has agreed to continue to provide in respect of 40% of the bank borrowings of Chest Gain for the Stanley Project is also deemed to be a connected transaction for each of Century City and Paliburg. Approvals of the independent shareholders of Century City, Paliburg and Regal are therefore required for the Stanley Transfer and/or the continuing several guarantee (as the case may be) under the Listing Rules. Mr. Lo and his associates will abstain from voting at the respective special general meetings of Century City, Paliburg and Regal in respect of the resolution proposed for approving the Stanley Transfer and/or the continuing several guarantee (as the case may be).

The Settlement Proposal constitutes a major transaction for each of Century City and Paliburg. Approvals of the shareholders of, respectively, Century City and Paliburg are therefore required for the implementation of the Settlement Proposal under the Listing Rules.

Mr. Lo is the controlling shareholder and chairman of the board of directors of Century City and the chairman of the board of directors of Paliburg. The First Vendor is effectively owned as to approximately 81.7% by Mr. Lo, approximately 3.3% by the Century City Group, 10% by the Regal Group and 5% by an independent third party. The Second Vendor is effectively owned as to 60% by Ms. Lo, a director of certain subsidiaries of Regal and the daughter of Mr. Lo. Mr. Lo holds the entire issued share capital of the Third Vendor as a trustee and may have discretion over the exercise of the voting right attaching to the entire issued share capital of the Third Vendor. Therefore, all of the First Vendor, the Second Vendor and the Third Vendor are connected persons of Century City and Paliburg. The Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement) constitutes a major and connected transaction for Century City and a very substantial acquisition and connected transaction for Paliburg. The Stock Exchange has confirmed that the Paliburg Acquisition will not be treated as a new listing application under the Listing Rules. Approvals of the independent shareholders of Century City and Paliburg are required for the completion of the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement). Mr. Lo, Ms. Lo and their respective associates will abstain from voting at the special general meetings of Century City and Paliburg for approving the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement).

As mentioned above, the First Vendor, the Second Vendor and the Third Vendor are connected persons of Century City. The Share Swap constitutes a major and connected transaction for Century City. Approval of the independent shareholders of Century City is required for the Share Swap. Mr. Lo, Ms. Lo and their respective associates will abstain from voting at the special general meeting of Century City for approving the Share Swap.

A special general meeting will be held by Century City with a view to obtaining approval from (i) its independent shareholders in respect of the Stanley Transfer and the continuing several guarantee, the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement) and the Share Swap and (ii) its shareholders for the Settlement Proposal. A special general meeting will be held by Paliburg with a view to obtaining approval from (i) its independent shareholders for the Stanley Transfer and the continuing several guarantee and the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement) and (ii) its shareholders for the Settlement Proposal and the Paliburg Capital Reorganisation. A special general meeting will be held by Regal with a view to obtaining approval from (i) its independent shareholders for the Stanley Transfer and (ii) its shareholders for the Regal Capital Reorganisation.

Circulars containing details of the Stanley Transfer, the Settlement Proposal, the Paliburg Acquisition, the Share Swap, the Paliburg Capital Reorganisation and/or the Regal Capital Reorganisation (as the case may be), the recommendations from the respective independent board committees and the letters of advice from the respective independent financial advisers, together with the notices of the special general meetings will be despatched by Century City, Paliburg and Regal to their respective shareholders as soon as practicable.

Implementation of the Settlement Proposal will be conditional on, among other things, the obtaining of all necessary consents and approvals, including approvals by the Existing Bondholders, other relevant lenders of the Paliburg Group, and the shareholders of Century City and Paliburg and the completion of the Stanley Transfer which in turn is conditional on, among other things, obtaining approvals from the independent shareholders of Century City, Paliburg and Regal and consents from the bank creditors of the Stanley Project. Completion of the Paliburg Acquisition Agreement and the Share Swap Agreement are conditional on, among other things, Bonds Settlement Closing, the implementation of the Paliburg Capital Reorganisation and the independent shareholders' approval of Century City and Paliburg. Implementation of the Settlement Proposal is not conditional on the completion of the Paliburg Acquisition Agreement or the Share Swap Agreement and the implementation of the Paliburg Capital Reorganisation or the Regal Capital Reorganisation. **There is no assurance that all the necessary consents and approvals will be obtained. The Stanley Transfer and/or the Settlement Proposal and/or the Paliburg Acquisition and/or the Share Swap and/or the Paliburg Capital Reorganisation and/or the Regal Capital Reorganisation may or may not proceed. The issue of this announcement does not in any way imply that the Stanley Transfer and/or the Settlement Proposal and/or the Paliburg Acquisition and/or the Share Swap and/or the Paliburg Capital Reorganisation and/or the Regal Capital Reorganisation will necessarily be implemented and completed.**

Reference is made to the joint announcements of Century City, Paliburg and Regal dated 16th November, 2001 and 26th April, 2002. The boards of directors of Century City, Paliburg and Regal are pleased to announce that on 2nd August, 2002, Paliburg and its wholly-owned subsidiary, PDBVI, entered into the Stanley Transfer Agreement with Regal pursuant to which the Paliburg Group has agreed to sell and Regal has agreed to purchase the Paliburg Group's 40% interest in the Stanley Project and the Paliburg Group's interest in the Shareholder's Loan in consideration for the Consideration Shares subject to, among other things, Century City, Paliburg and Regal obtaining the consent of their respective independent shareholders.

The board of directors of Paliburg also wishes to announce that the detailed terms of the Settlement Proposal have been finalised and bondholders' circulars regarding the Settlement Proposal will be despatched to the Existing Bondholders as soon as practicable with a view to obtaining approvals from the Existing Bondholders for the Settlement Proposal.

The board of directors of Paliburg is also pleased to announce that Paliburg entered into the Paliburg Acquisition Agreement with the Vendors and VPI on 2nd August, 2002.

The board of directors of Century City is also pleased to announce that Century City entered into the Share Swap Agreement with the Vendors and the Paliburg Shares SPC on 2nd August, 2002.

The boards of directors of Paliburg and Regal respectively propose the Paliburg Capital Reorganisation and the Regal Capital Reorganisation to their respective shareholders.

## THE STANLEY TRANSFER

### The Stanley Transfer Agreement

Date:	2nd August, 2002
Vendor:	PDBVI, a wholly-owned subsidiary of Paliburg
Purchaser:	Regal
Guarantor:	Paliburg, which has agreed to guarantee the due performance and observance of PDBVI's obligations under the Stanley Transfer Agreement
Assets to be transferred/assigned:	the transfer of the entire issued share capital of Nice Tex and the assignment of all the rights, title and interest of PDFL in the Shareholder's Loan
Consideration:	HK\$470 million which shall be satisfied by Regal issuing and allotting 1,958,333,333 new Regal Ordinary Shares to PDBVI (or such other person(s) as PDBVI may direct) at HK\$0.24 per share

### Nice Tex

Nice Tex is the sole owner of a 40% interest in the issued share capital of Chest Gain which in turn owns and develops the Stanley Project. 30% of the issued share capital of Chest Gain is held by the Regal Group and the remaining 30% of the issued share capital is held by an independent third party not connected with any of the directors, chief executives and substantial shareholders of Paliburg and Regal, their respective subsidiaries and any of their respective associates.

Based on the audited consolidated financial statements of Paliburg as at 31st December, 2001, the carrying value of the Paliburg Group's 40% interest in Chest Gain was approximately HK\$547.2 million as at 31st December, 2001, and the operating losses of Chest Gain (principally being bank loan interest expenses) attributable to the Paliburg Group in respect of the Paliburg Group's 40% interest in Chest Gain for the year ended 31st December, 2000 and 31st December, 2001 were approximately HK\$81.3 million and approximately HK\$51.9 million respectively.

Paliburg currently provides and will continue to provide after completion of the Stanley Transfer a several guarantee for 40% of the bank borrowings of Chest Gain for the Stanley Project which amounted to approximately HK\$1,004 million as at 31st December, 2001. No counter indemnity will be provided by Regal in favour of Paliburg in respect of such continuing several guarantee provided by Paliburg. Paliburg's obligation under such guarantee will be limited to the security provided by Paliburg which currently comprises approximately 1,384.2 million Regal Ordinary Shares (of which the bank creditors of the Stanley Project are the major beneficiaries). Such Regal Ordinary Shares are worth approximately HK\$112.1 million based on the closing price per Regal Ordinary Share of HK\$0.081 as at the date of this announcement. After completion of the Stanley Transfer, Regal will not be required to fund the interest servicing cost of the bank borrowings of Chest Gain attributable to the 40% interest of Chest Gain acquired under the Stanley Transfer Agreement, and such payment obligation of Regal will be deferred until the loan repayment date. As part of the Stanley Transfer, Regal will provide an additional several guarantee in respect of the 40% of the bank borrowings of Chest Gain which will only be called upon in the event of any default in Chest Gain's bank borrowings for the Stanley Project, and after the several guarantee provided by Paliburg has been pursued. Regal's obligations under the aforesaid additional guarantee will be subordinated to the bank loans of the Regal Group.

The Stanley Project commenced in 1997. It has a site area of approximately 571,848 sq.ft. and comprises two phases which are scheduled to be completed around the second quarter and the fourth quarter of 2003 respectively.

### Basis of consideration

The consideration for the Stanley Transfer was determined after arm's length negotiation between Paliburg and Regal with reference to 40% of the valuation as at 31st May, 2002 of the Stanley Project by an independent property valuer, FPD Savills (Hong Kong) Limited, of approximately HK\$2,112.8 million, the external liabilities (including outstanding interest in arrears and estimated construction and financing costs of the Stanley Project to be incurred) attributable to the 40% interest in the Stanley Project of approximately HK\$1,590.7 million and a discount of approximately 10.0%.

### The Consideration Shares

The Consideration Shares represent (i) approximately 48.6% of the existing issued ordinary share capital of Regal; and (ii) approximately 32.7% of the enlarged issued ordinary share capital of Regal upon completion of the Stanley Transfer.

The issue price of the Consideration Shares was determined after arm's length negotiations. The issue price of the Consideration Shares of HK\$0.24 per Regal Ordinary Share represents a premium of approximately 196.3% over the closing price of HK\$0.081 per Regal Ordinary Share as quoted on the Stock Exchange on the date of this announcement and the date on which the Stanley Transfer Agreement was entered into, and a premium of approximately 174.3% over the average closing price as quoted on the Stock Exchange for the 10 trading days up to and including 2nd August, 2002, being approximately HK\$0.0875 per Regal Ordinary Share. As at 31st December, 2001, the consolidated net tangible asset value of Regal was approximately HK\$4,540.5 million, and the net tangible asset value attributable to each Regal Ordinary Share in issue was approximately HK\$1.12. The issue price of the Consideration Shares represents a discount of approximately 78.6% to Regal's net tangible asset value per Regal Ordinary Share as at 31st December, 2001.

The Consideration Shares shall on the date of issue rank pari passu in all respects with the Regal Ordinary Shares then in issue.

### Conditions

The completion of the Stanley Transfer Agreement is subject to certain conditions being satisfied on or before 31st October, 2002 or such later date as shall be agreed by the parties to the Stanley Transfer Agreement. The conditions include, among other things, the following:

- approval from the shareholders of Regal, other than Mr. Lo, Paliburg and their respective associates, for the Stanley Transfer;
- approvals from the shareholders of Century City and Paliburg, other than Mr. Lo and his associates, for the Stanley Transfer and the continuing several guarantee;
- approval from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares;
- (as the percentage of issued Regal Ordinary Shares held by the public may drop below 25% after completion of the Stanley Transfer) the Stock Exchange granting a waiver from strict compliance with the minimum public float requirement under the Listing Rules for a period commencing from the completion of the Stanley Transfer to one month after completion of the Stanley Transfer;

- consents from the bank creditors of the Stanley Project and (if required) certain creditors of Paliburg and Regal for the Stanley Transfer having been duly obtained; and
- consent from the remaining 30% shareholder of Chest Gain for the Stanley Transfer having been duly obtained.

### Reasons for the Stanley Transfer

The Regal Group is principally engaged in hotel ownership and management, property investment and other investments, including investment and trading in marketable securities, in Hong Kong, China and Canada.

After completion of the Stanley Transfer, Paliburg will continue to participate indirectly in the investment of the Stanley Project through its investment in Regal. Paliburg will procure that out of the Consideration Shares, approximately 1,896.5 million Regal Ordinary Shares will be issued and allotted to the Regal Shares SPC upon completion of the Stanley Transfer and will become the subject of the Subject Regal Share Agreement for the implementation of the Settlement Proposal. These Subject Regal Shares will represent (i) approximately 47.1% of the existing issued ordinary share capital of Regal; and (ii) approximately 31.7% of the enlarged issued ordinary share capital of Regal upon completion of the Stanley Transfer. The Stanley Transfer also provides Paliburg with an opportunity to maintain an effective controlling interest in Regal, even after the phased release of the Subject Regal Shares to the Existing Bondholders pursuant to the Settlement Proposal. Please refer to the section headed "The Settlement Proposal" for the details of and reasons for the Settlement Proposal and refer to the section headed "Effect of the Settlement Proposal and the Stanley Transfer on the shareholding structure of Regal" below for the percentage shareholding of Paliburg in Regal before and after completion of the Stanley Transfer.

The maintenance by Paliburg of a controlling interest in Regal is crucial to Regal. Mr. Lo, the controlling shareholder of Century City, (together with his immediate family members and any trust under which they are beneficiaries) should maintain control of Regal or an event of default would occur under certain loan obligations of Regal. The implementation of the Stanley Transfer would reduce the likelihood of such an event of default occurring.

After completion of the Stanley Transfer, the Regal Group's interest in Chest Gain will increase from 30% to 70% and Chest Gain will continue to be treated as a jointly controlled entity of Regal. No accounting gain or loss will be recorded by Century City and Paliburg respectively as a result of the Stanley Transfer.

### Listing Rules requirements

Paliburg is the controlling shareholder of Regal and therefore a connected person of Regal. The Stanley Transfer constitutes a discloseable transaction and is deemed to be a connected transaction for each of Century City, Paliburg and Regal. The several guarantee which Paliburg has agreed to continue to provide in respect of 40% of the bank borrowings of Chest Gain for the Stanley Project is also deemed to be a connected transaction for each of Century City and Paliburg. Approvals of the independent shareholders of Century City, Paliburg and Regal are required for the Stanley Transfer and/or the continuing several guarantee (as the case may be) under the Listing Rules and a special general meeting will be convened by each of Century City, Paliburg and Regal to obtain such approval. Mr. Lo and his associates will abstain from voting at the respective special general meetings of Century City, Paliburg and Regal in respect of the resolution proposed for approving the Stanley Transfer and/or the continuing several guarantee (as the case may be).

Regal will make an application to the Stock Exchange seeking approval from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Based on the existing shareholding structure of Regal, the percentage of the issued Regal Ordinary Shares held by the public will drop to approximately 20.6% of the then enlarged issued ordinary share capital of Regal after completion of the Stanley Transfer which falls below the minimum 25% as required by Rule 8.08 of the Listing Rules. Regal has made an application to the Stock Exchange seeking a waiver from strict compliance with the minimum public float requirement under the Listing Rules for a period commencing from the completion of the Stanley Transfer to one month after completion of the Stanley Transfer. If market circumstances are appropriate, Regal may carry out Equity Issue(s) (please refer to the paragraph headed "Significant Equity Issues" under the section headed "The Settlement Proposal" below for details) which may assist Regal in restoring the required minimum public float by the end of the waiver period. In addition, an arrangement will be put in place under the Settlement Proposal allowing Paliburg to release, if and when deemed necessary, a sufficient number of the SPC Regal Shares to the Issuing SPCs with a view to restoring the required minimum public float of the Regal Ordinary Shares on or before the end of the waiver period. Please refer to the paragraph headed "Possible early release of the SPC Regal Shares" under the section headed "The Settlement Proposal" below for details. Based on the existing shareholding structure of Regal and assuming, save for the issue of the Consideration Shares, there is no change to such shareholding structure, approximately 265.8 million Regal Ordinary Shares would have to be released from the Regal Shares SPC to the Issuing SPCs by the end of the waiver period in order to restore the required minimum public float of the Regal Ordinary Shares.

## THE SETTLEMENT PROPOSAL

### Standstill Agreement and Standstill Security

As explained in the joint announcement dated 16th November, 2001, the principal terms for a proposal to settle the Existing Bonds were formulated and certain major Existing Bondholders have indicated that in principle they are in favour of such proposal. In the course of finalising the detailed terms of this original proposal, certain revisions to this original proposal were negotiated which certain major Existing Bondholders have indicated they would support in principle.

On 26th April, 2002, Paliburg entered into the Standstill Agreement with certain major Existing Bondholders. In consideration of the entering into of the Standstill Agreement, Paliburg provided the Standstill Security in favour of the Existing Bondholders. For further details of the Standstill Agreement, please refer to the joint announcement of Century City, Paliburg and Regal dated 26th April, 2002.

The Settlement Proposal now involves, among other things, the Property Transfer and the phased release of the SPC Regal Shares to the Existing Bondholders.

### Economics and mechanics of the Settlement Proposal

The terms of the Settlement Proposal were determined through arm's length negotiations with the informal steering committee of the Existing Bondholders.

The Settlement Proposal aims at settling the Existing Bonds (their aggregate principal amount, accrued (including default) interest and redemption premium and the guarantee in respect of the same provided by Paliburg) in full principally by the transfer of the assets described under the paragraphs headed "The Property Transfer" and "Phased release of the SPC Regal Shares" below. On Bonds Settlement Closing, all the outstanding Existing Bonds will be cancelled with immediate effect and Paliburg will be released from its obligations as the guarantor of the Existing Bonds. In return, the Series A Bonds and the Series B1 Bonds will be issued by the Issuing SPCs to the Existing Bondholders.

It is proposed that PIFL (the issuer of the Exchangeable Bonds) and PFCBL (the issuer of the Convertible Bonds), both presently being indirect wholly-owned subsidiaries of Paliburg, will be used by the Existing Bondholders as the two Issuing SPCs for the issue of the Series A Bonds and the Series B Bonds. As part of the Settlement Proposal, on or before Bonds Settlement Closing, the entire issued share capitals of the two Issuing SPCs will be transferred to a charitable trust and will then become independent from and not connected with Century City and Paliburg, their respective subsidiaries, directors, chief executives and substantial shareholders, and their respective associates. Up to the date of this announcement, the trustee of the charitable trust has not been decided by the Existing Bondholders but it will be a party not connected with any of the directors, chief executives and substantial shareholders of Century City and Paliburg, their respective subsidiaries and any of their respective associates. The charitable trust structure will involve the trustee holding the shares of the Issuing SPCs on ultimate trust for the charity but so long as any of the Series A Bonds and/or the Series B Bonds are outstanding, the holders of the Series A Bonds and/or the Series B Bonds will have rights to direct the exercise of the voting rights attaching to the shares of the Issuing SPCs and such shares may not be sold. The arrangement of the Issuing SPCs to be held by a charitable trust aims to dis-associate the issuers of the Series A Bonds and the Series B Bonds (i.e. the Issuing SPCs) from the Paliburg Group. Under this arrangement, the only recourse of the holders of the Series A Bonds and the Series B Bonds will be the assets of the Issuing SPCs.

A number of legal documents will be entered into as part of the Settlement Proposal, including, among other things, the Subject Regal Share Agreement and other documents containing covenants and undertakings given by, inter alios, Paliburg and the Regal Shares SPC with a view to facilitating the exchange rights attached to the Series B Bonds.

#### **The Property Transfer**

It is proposed that PDBVI, a wholly-owned subsidiary of Paliburg, will transfer the entire issued share capitals of Soaring Star and Master Portrait to a company jointly owned by the Issuing SPCs. Soaring Star and Master Portrait are indirect wholly-owned subsidiaries of Paliburg which indirectly hold the entire interest (subject to the mortgages securing the securitisation loan as described below) in Paliburg Plaza and Kowloon City Plaza respectively. Paliburg Plaza is a 24-storey commercial building located in Causeway Bay, Hong Kong and Kowloon City Plaza is an 11-storey commercial building located in Kowloon City, Hong Kong. Based on the valuations carried out by Vigers Hong Kong Limited, an independent professional valuer, the market value of Kowloon City Plaza was estimated to be approximately HK\$1,830 million and that of Paliburg Plaza was approximately HK\$650 million in each case as at 31st May, 2002.

As at 31st December, 2001, the aggregate unaudited consolidated deficiency in net tangible assets of Soaring Star and Master Portrait was approximately HK\$1.9 billion.

The aggregate proforma unaudited consolidated losses both before and after taxation of Soaring Star and Master Portrait for the year ended 31st December, 2000 were approximately HK\$225.2 million and the aggregate unaudited consolidated losses both before and after taxation for the year ended 31st December, 2001 were approximately HK\$689.8 million. Soaring Star was activated in 2000 as the holding company of its present subsidiary and therefore the aggregate consolidated financial information of Soaring Star and Master Portrait for the full financial year of 2000 were prepared on a proforma basis.

Paliburg Plaza and Kowloon City Plaza have been mortgaged to secure a securitisation loan to the wholly-owned subsidiaries of Soaring Star and Master Portrait which as at 31st December, 2001 had a principal amount outstanding of approximately HK\$1,217.0 million (not including the Paliburg Group's investment in the debt instruments). Pursuant to the Property Transfer, the Paliburg Group's effective interest in Paliburg Plaza and Kowloon City Plaza, subject to the said mortgages and together with the securitisation loan, will be transferred to the Issuing SPCs by transferring the share capitals of Soaring Star and Master Portrait. The relevant shareholder's loans to the subsidiaries of Soaring Star and Master Portrait as well as the Paliburg Group's investment in the debt instruments issued to fund part of the securitisation loan (with an aggregate amount of approximately HK\$3,542.5 million as at 31st December, 2001) will also be transferred to the Issuing SPCs as part of the Settlement Proposal.

As at the date of this announcement, certain members of the Paliburg Group provide leasing and property management services in relation to Paliburg Plaza and Kowloon City Plaza and corporate management services to their holding companies. These Paliburg Group members will on Bonds Settlement Closing cease to provide such services.

Upon Bonds Settlement Closing, Century City, Paliburg and Regal will covenant with the Issuing SPCs that Century City, Paliburg, Regal and their subsidiaries and associated companies will continue to lease sufficient space in Paliburg Plaza and Kowloon City Plaza at normal market rates as required for their operations.

On Bonds Settlement Closing, the Issuing SPCs will issue to the Existing Bondholders the Series A Bonds which are secured on, and which derive economic value from, the entire issued share capitals of Soaring Star and Master Portrait.

#### **Phased release of the SPC Regal Shares**

It is proposed that approximately 1,896.5 million of the Consideration Shares allotted to the Regal Shares SPC upon completion of the Stanley Transfer will become subject to the Subject Regal Share Agreement upon Bonds Settlement Closing. The Paliburg Group will be the sole shareholder of the Regal Shares SPC and will have the power to appoint directors to the board of directors of the Regal Shares SPC.

On Bonds Settlement Closing, the Issuing SPCs will issue the Series B1 Bonds (of HK\$1,000 each in principal amount) to the Existing Bondholders. The Series B1 Bonds will mature on the Final Redemption Date, when they will be redeemed by requiring the Regal Shares SPC to deliver pro rata amounts of the SPC Regal Shares to the holders of the Series B1 Bonds. On each of the dates falling 12, 15 and 18 months after Bonds Settlement Closing, the principal amount of each Series B1 Bond will be reduced by HK\$250 and on each such day corresponding to each such reduction a Series B2 Bond of HK\$250 each in principal amount will be issued by the Issuing SPCs. Each Series B2 Bond can, at any time after issue, be redeemed at the option of the holder thereof by taking delivery from the Regal Shares SPC of a pro rata amount of the SPC Regal Shares. All Series B2 Bonds outstanding at the Final Redemption Date will be redeemed by delivery from the Regal Shares SPC of the pro rata amounts of the SPC Regal Shares.

Under the Subject Regal Share Agreement the Regal Shares SPC will agree to deliver such SPC Regal Shares to the Issuing SPCs to facilitate the redemption of the Series B Bonds by the Issuing SPCs as described above. In addition, under a separate legal document the Regal Shares SPC will charge, as security for its obligations under the Subject Regal Share Agreement, all the SPC Regal Shares in favour of a security trustee for the benefit of the Issuing SPCs.

#### **Possible early release of the SPC Regal Shares**

The Regal Shares SPC also has the right to transfer all the SPC Regal Shares to the Issuing SPCs at any time before the Final Redemption Date whereupon the Subject Regal Share Agreement will terminate, save that the restrictions as described under the sub-section headed "Restrictions on connected transactions and fund raising" below will still apply during the restricted period.

Regal Shares SPC will also have the right to procure the transfer of a sufficient number of SPC Regal Shares from time to time to the Issuing SPCs, to the extent such transfer would restore the public float of Regal to the minimum level required by the Listing Rules, pending release of such transferred shares to the holders of the Series B Bonds pursuant to the Subject Regal Share Agreement. The Regal Ordinary Shares so held by the Issuing SPCs will be subject to certain restrictions in relation to their voting rights and transferability similar to those applicable to the SPC Regal Shares set out in this section.

In certain circumstances, the holders of the Series B Bonds are entitled to request the Issuing SPCs to redeem the Series B Bonds in full prior to the Final Redemption Date; in particular, if a Significant Equity Issue does not take place before the date falling 9 months after Bonds Settlement Closing (or such later date as the holders of the Series B Bonds may agree).

#### **Cash options available to the holders of the Series B Bonds**

On the Final Redemption Date or the date of a full early redemption, whichever is applicable, if the Subject Regal Shares represent less than 14.5% of the total issued Regal Ordinary Shares at any time after Bonds Settlement Closing, holders of the Series B Bonds may elect to receive cash for the redemption in full or part (at the holders' option) of their holdings of the Series B Bonds, in lieu of redemption by delivery of the SPC Regal Shares in respect of all or part of such holdings. In such cases, Paliburg will be required to acquire the relevant SPC Regal Shares, which would otherwise be delivered to the relevant holders of the Series B Bonds, at a fixed amount of HK\$0.10 per share.

Where certain conditions are satisfied, if the Paliburg Group wishes to acquire Regal Ordinary Shares in issue, holders of the Series B Bonds will have a right to require the Paliburg Group to first acquire the SPC Regal Shares from the Regal Shares SPC for cash, and the consideration received from such disposal will be paid to the relevant holders of the Series B Bonds for redemption of the Series B Bonds corresponding to the SPC Regal Shares sold to the Paliburg Group. Under this arrangement, Paliburg can offer to buy Regal Ordinary Shares from a third party at a price which cannot be higher than the price offered to holders of the Series B Bonds in the first place.

#### **Restrictions on connected party transactions and fund raising**

Under the Subject Regal Share Agreement, Paliburg will undertake that it shall use all reasonable endeavours (including the exercise of voting rights attached to the SPC Regal Shares) to procure that (i) no "connected party transactions" (as defined below) will be entered into by any member of the Regal Group prior to exchange or redemption in full of the Series B Bonds and thereafter during the restricted period; and (ii) there will be no Equity Issue carried out by Regal

during the restricted period, in each case without the prior approval of the holders of the Series B Bonds. The restricted period varies from a 3-month period after the Final Redemption Date to a maximum of a 6-month period after any full early redemption depending on when the full redemption (at maturity or early) takes place.

Save as provided below, a "connected party transaction" under the Subject Regal Share Agreement shall be the same as a "connected transaction" as defined under the Listing Rules. Pursuant to the Subject Regal Share Agreement, any transaction to which Regal or its subsidiaries is a party involving assets previously owned by the Paliburg Group in the two years prior to Bonds Settlement Closing shall be deemed to be "connected party transactions" for Regal purely for the purposes of the above restrictions under the Subject Regal Share Agreement. However, any transaction of a revenue nature on arm's length commercial terms and in the ordinary and usual course of business shall not be considered to be a "connected party transaction" for Regal solely for the purposes of the above restrictions under the Subject Regal Share Agreement.

#### **Voting rights of the SPC Regal Shares**

Subject to the restrictions set out under the sub-section headed "Restrictions on connected party transactions and fund raising" above and the further restrictions as described below, the voting rights attached to the SPC Regal Shares shall be exercised in accordance with the instructions of Paliburg which indirectly owns the Regal Shares SPC until such time as the SPC Regal Shares are released to the holders of the Series B Bonds.

Under the Subject Regal Share Agreement, the Regal Shares SPC will undertake that should a material adverse event have occurred and be continuing, the voting rights attached to the SPC Regal Shares will only be exercisable, where such exercise is in relation to the action or omission (or proposed action or omission) which is the subject of the material adverse event, at the direction of the holders of the Series B Bonds.

A "material adverse event" as referred to in the preceding paragraph will have occurred where there is, or is reasonably likely to be, a material adverse effect on the market value of the Regal Ordinary Shares (but which, for the avoidance of doubt, need not necessarily affect the market price of the Regal Ordinary Shares quoted on the Stock Exchange) resulting from an action taken or proposed to be taken by Regal/Paliburg (whether or not requiring shareholders' approval) or omission or proposed omission of Regal/Paliburg, but excluding where the material adverse effect is caused by:

1. the deteriorating ordinary course trading performance or deteriorating general financial condition of Regal (other than where such deterioration results from any specific act or omission taken or omitted to be taken by Regal);
2. an act or omission taken or omitted to be taken at the instruction of, or to meet the requirements of, creditors of Regal; or
3. a write-down of assets in the books of Regal or a write-off following a disposal of assets on an arm's length basis, or other accounting adjustment which does not affect the real market value of the Regal Group (though which may technically affect its net asset value).

In the event a "material adverse event" is triggered, Century City, Paliburg and Regal will make an announcement as and when required under the Listing Rules.

#### **Equity Issues of Regal**

As set out in the paragraph headed "Phased release of the SPC Regal Shares", unless Regal carries out a Significant Equity Issue which takes place before the date falling 9 months after Bonds Settlement Closing (or such later date as the holders of the Series B Bonds may agree), full early redemption of the Series B Bonds will take place. A number of factors including, among other things, the then market conditions, and funding requirements, will be taken into account by the board of directors of Regal when determining the form and size of Equity Issues of Regal that should be carried out (if at all).

**Shareholders of Century City, Paliburg and Regal should note that Equity Issues of Regal may or may not take place before the date falling 9 months after Bonds Settlement Closing. Even if Equity Issues of Regal take place, there is a risk that they may not be in sufficient quantities so that a Significant Equity Issue will occur.** Regal will make further announcement(s) as required under the Listing Rules in respect of any Equity Issue of Regal which may be carried out in the future.

#### **Dividends, distribution and further assets derived from the SPC Regal Shares**

Should the Regal Shares SPC receive any dividend or distribution in connection with the SPC Regal Shares (other than in the form of further Regal Ordinary Shares) or any assets or securities issued or transferred to the Regal Shares SPC as the holder of the SPC Regal Shares pursuant to any scheme of arrangement, reorganisation, amalgamation or reconstruction of any company or companies, the Regal Shares SPC will procure equivalent payments to the holders of the Series B Bonds that mirror such dividend or distribution. Any further Regal Ordinary Shares received in respect of the SPC Regal Shares shall be retained by the Regal Shares SPC and form part of the SPC Regal Shares.

#### **Establishing reserve accounts**

On Bonds Settlement Closing, Paliburg will also pre-fund other separate reserve accounts for each of the Series A Bonds and the Series B Bonds for payment of fees and expenses to be incurred incidental to the issue of such new bonds. In the event that the amounts standing to the credit of any of the reserve accounts at any time proves insufficient to cover any fees and expenses due and payable in relation to the relevant series of the new bonds, Paliburg has undertaken to contribute the necessary further funds at the relevant time.

#### **Conditions precedent**

Implementation of the Settlement Proposal is conditional on, among other things, the following:

- approvals from the Existing Bondholders for the Settlement Proposal;
- approvals from the shareholders of Century City and Paliburg for the Settlement Proposal;
- completion of the Stanley Transfer; and
- consents from certain creditors of the Paliburg Group in respect of the Settlement Proposal (if required).

#### **Reasons for the Settlement Proposal**

As at 31st December, 2001, the aggregate principal amount, redemption premium and accrued (including default) interest outstanding on the Exchangeable Bonds and the Convertible Bonds amounted to approximately HK\$3,646.4 million, comprising approximately HK\$1,291.3 million in respect of the Exchangeable Bonds and approximately HK\$2,355.1 million in respect of the Convertible Bonds. The Exchangeable Bonds matured on 6th February, 2001. Neither PIFL nor Paliburg paid the outstanding principal amount, redemption premium and accrued (including default) interest on the Exchangeable Bonds upon maturity. Default of payment on maturity of the Exchangeable Bonds also caused cross-default of the Convertible Bonds. The Settlement Proposal is proposed by Paliburg to settle all the outstanding indebtedness of the Paliburg Group in relation to the Existing Bonds in full. It is estimated that accounting profits before minority interests of approximately HK\$2 billion and approximately HK\$3 billion will be recorded by Century City and Paliburg respectively as a result of the Settlement Proposal.

The directors of Century City and Paliburg believe that the financial position of the Paliburg Group will be improved through the implementation of the Settlement Proposal. Based on the audited consolidated accounts of Paliburg as at 31st December, 2001, the Paliburg Group's indebtedness will be reduced by approximately HK\$4,863.4 million (including approximately HK\$3,646.4 million in relation to the Existing Bonds and approximately HK\$1,217.0 million in relation to the securitisation loan in relation to Paliburg Plaza and Kowloon City Plaza) as a result of the completion of the Settlement Proposal. Reduction in the indebtedness of the Paliburg Group also reduces its future interest cost burden.

#### **Existing Bondholders' approvals**

An information memorandum together with the bondholders' circulars and notices of the Existing Bondholders' meetings will be despatched to the Existing Bondholders as soon as practicable.

Certain major holders of the Convertible Bonds holding an aggregate principal amount of approximately 65% of the outstanding aggregate principal amount of the Convertible Bonds have indicated that in principle they are in favour of the Settlement Proposal.

#### Listing Rules requirements

Mr. Lo and his associates, in the capacity as shareholders of Century City and Paliburg, do not have any interest in the Settlement Proposal which is different from that of the other shareholders of Century City and Paliburg. The Settlement Proposal constitutes a major transaction for each of Century City and Paliburg. Approvals of the shareholders of, respectively, Century City and Paliburg are required for the implementation of the Settlement Proposal under the Listing Rules.

#### EFFECT OF THE SETTLEMENT PROPOSAL AND THE STANLEY TRANSFER ON THE SHAREHOLDING STRUCTURE OF REGAL

The following table illustrates the effect of the Settlement Proposal and the Stanley Transfer upon the shareholding structure of Regal.

	Existing		Upon completion of the Stanley Transfer and Bonds Settlement Closing		After release of all the Subject Regal Shares	
	Number of shares million	%	Number of shares million	%	Number of shares million	%
Paliburg	2,793.7	69.3	2,855.5	47.7	2,855.5	47.7
Regal Shares SPC	—	—	1,896.5	31.7	—	—
Mr. Lo and his associates	2.6	0.1	2.6	0.0	2.6	0.0
Other directors of Regal	1.5	0.0	1.5	0.0	1.5	0.0
Public:						
Holders of the Series B Bonds	—	—	—	—	1,896.5	31.7
Other shareholders	1,231.0	30.6	1,231.0	20.6	1,231.0	20.6
<b>Total</b>	<b>4,028.8</b>	<b>100.0</b>	<b>5,987.1</b>	<b>100.0</b>	<b>5,987.1</b>	<b>100.0</b>

Assuming that the issue of Consideration Shares will be the only change to the existing shareholding structure of Regal, immediately upon completion of the Stanley Transfer and Bonds Settlement Closing, Paliburg's economic interest in Regal will decrease from approximately 69.3% to approximately 47.7%. However, Regal will continue to be a subsidiary of Paliburg as Paliburg will continue to hold over 50% of the then voting rights of Regal (including the voting rights (subject to certain restrictions as described above) held by the Paliburg Group through the Regal Shares SPC) and Paliburg does not contemplate there will be any substantial change in the composition of the board of directors of Regal immediately upon completion of the Stanley Transfer and Bonds Settlement Closing. Upon all the Subject Regal Shares being released to the holders of the Series B Bonds, the percentage voting rights of Regal held by Paliburg will decrease from approximately 79.4% to approximately 47.7%. After approximately 1,758.5 million Regal Ordinary Shares have been released to the holders of the Series B Bonds (possibly upon the Final Redemption Date), and if there is otherwise no change in Paliburg's shareholding interest in Regal, Paliburg will then hold less than 50% of the voting rights of Regal and Regal will possibly cease to be a subsidiary of Paliburg.

Regal is a listed major subsidiary of Paliburg. The audited consolidated net tangible asset value of Regal as at 31st December, 2001 was approximately HK\$4,540.5 million. The audited consolidated losses before and after taxation of Regal for the year ended 31st December, 2000 were approximately HK\$334.4 million and approximately HK\$349.5 million respectively, and those for the year ended 31st December, 2001 were approximately HK\$515.2 million and approximately HK\$515.1 million respectively.

Apart from engaging in the hotel operations business through Paliburg's investment in Regal, the Paliburg Group will continue to focus on the businesses of property development, investment and management, construction and construction related businesses and will strengthen and expand its business base through the Paliburg Acquisition (as described below).

#### THE PALIBURG ACQUISITION

##### The Paliburg Acquisition Agreement

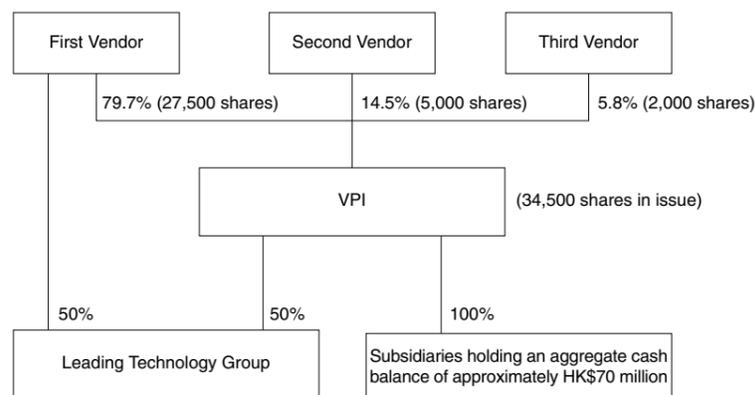
On 2nd August, 2002, Paliburg, the Vendors and VPI entered into the Paliburg Acquisition Agreement. Under the Paliburg Acquisition, Paliburg has agreed to acquire the then entire issued share capital of VPI at the completion date of the Paliburg Acquisition Agreement from the VPI Shareholders.

##### Assets to be acquired

Paliburg will acquire all the existing shares of VPI in issue and all the new shares of VPI to be issued under the VPI Placing. After completion of the Paliburg Acquisition, VPI will become a wholly-owned subsidiary of Paliburg.

VPI is an investment holding company which holds a 50% interest in Leading Technology. Apart from its investment in Leading Technology, as at the date of this announcement, VPI also through its wholly-owned subsidiaries holds approximately HK\$70 million in cash. The cash balance may increase as a result of the VPI Placing and the purchase consideration payable by Paliburg may increase accordingly as described in the paragraph headed "Consideration" below in more details.

The diagram below shows the group structure of VPI as at the date of this announcement.



The Leading Technology Group is principally engaged in the design, development, integration and distribution of innovative and technologically advanced security and building related systems, software and products in the Greater China region. The core business of the Leading Technology Group can be principally categorised into offline security business, online security business and intelligent building business. Offline security business includes biometric security systems that integrate biometric and information technology in access control and security systems. Online security business includes "Security Application Software" that incorporates the Leading Technology Group's biometric security technology systems into the Internet and network technologies and applications, as well as the integration of the security system into other computer application software. Intelligent building business is an application and integration of security systems and conventional intelligent building systems for residential, office, hotel, commercial or industrial buildings.

VPI is a holding company and was incorporated in April 2002. The Leading Technology Group commenced business in 1998. The unaudited proforma consolidated profits before and after taxation and minority interests of Leading Technology were approximately HK\$1.2 million and approximately HK\$1.4 million respectively for the period from its incorporation date (being 12th January, 2001) to 31st December, 2001 while those unaudited figures for the first six months of 2002 were both approximately HK\$1.8 million. As at 30th June, 2002, the unaudited consolidated net asset values of VPI and Leading Technology were approximately HK\$403.5 million and approximately HK\$141.1 million respectively.

#### The LTH Option

Pursuant to the Paliburg Acquisition Agreement, the First Vendor will grant the LTH Option to VPI for acquiring all or part of the LTH Option Shares from the First Vendor on the following terms:

- if the LTH Option is exercised within one year from the completion of the Paliburg Acquisition and the Listing Determination has not taken place, VPI can acquire any of the LTH Option Shares from the First Vendor at a price equivalent to 50% of the valuation attributable to the relevant LTH Option Shares under the Business Valuation; the consideration for the relevant LTH Option Shares can be settled in cash and/or by way of issue and allotment of new Paliburg Ordinary Shares to the First Vendor (based on average closing price of the preceding 20 trading days); or
- if the Listing Determination has taken place within one year from the completion of the Paliburg Acquisition, VPI can acquire from the First Vendor any of the LTH Option Shares at a price based on 50% of the aggregate underwritten price (which should normally be the relevant offer price) attributable to the relevant LTH Option Shares; the consideration for the relevant LTH Option Shares shall only be settled in cash; or
- if the LTH Option is exercised after one year from the completion of the Paliburg Acquisition and the Listing Determination has not taken place, VPI can acquire from the First Vendor the LTH Option Shares at a nominal price of HK\$1.00 in cash.

The LTH Option is exercisable in whole or in part and will expire on the earlier of (i) the date 13 months after the completion of the Paliburg Acquisition and (ii) 5 business days after the Listing Determination.

Century City and Paliburg will comply with the relevant requirements of the Listing Rules in the event the LTH Option is exercised.

#### Consideration

The consideration for the Paliburg Acquisition shall be HK\$10,000 per share of VPI which shall be in issue as at the completion date of the Paliburg Acquisition Agreement (including 34,500 shares of VPI currently in issue and up to 13,000 new shares of VPI that may be issued under the VPI Placing) subject to an aggregate maximum of HK\$475 million. The consideration is determined after arm's length negotiations and with reference to the basis of the issue of the shares of VPI as follows:

- the 27,500 shares of VPI issued to the First Vendor at HK\$10,000 each for the acquisition of a 50% interest in Leading Technology with an aggregate value of HK\$275 million, representing a discount of approximately 17.5% to 50% of the Business Valuation which is estimated to be approximately HK\$333.5 million;
- the 5,000 shares of VPI issued to the Second Vendor and 2,000 shares of VPI issued to the Third Vendor at HK\$10,000 each for the acquisition of two subsidiaries having a total cash balance of HK\$70 million; and
- not more than 13,000 new shares of VPI will be issued under the VPI Placing and, unless with the consent of Paliburg, the subscription price per share will not be less than HK\$10,000 in cash.

Paliburg will issue the Paliburg Convertible Preference Shares at an issue price of HK\$0.10 each to the Vendors (or any of their respective nominees) to satisfy the consideration. Upon completion of the Paliburg Acquisition, Paliburg will issue 2,750 million Paliburg Convertible Preference Shares to the First Vendor (or its nominee), and 500 million and 200 million Paliburg Convertible Preference Shares respectively to the Second Vendor and the Third Vendor (or their respective nominees), and may issue up to 1,300 million Paliburg Convertible Preference Shares to the First Vendor (on behalf of the New VPI Investors). Paliburg has been advised by the First Vendor that an in-principle underwriting arrangement has been made by an underwriter to subscribe for new shares of VPI at a price of HK\$10,000 each and for an aggregate consideration of not less than HK\$30 million (i.e. not less than 3,000 new shares of VPI).

Based on the number of VPI shares which will be acquired by Paliburg under the Paliburg Acquisition ranging from 34,500 to 47,500, the total consideration will be ranging from HK\$345 million to HK\$475 million and Paliburg will issue 3,450 million to 4,750 million Paliburg Convertible Preference Shares to the Vendors.

The Paliburg Convertible Preference Shares are non-voting and are freely transferable but will not be listed on any stock exchange. Each Paliburg Convertible Preference Share can be converted into one Paliburg Ordinary Share (subject to adjustment) at any time within 3 years after completion of the Paliburg Acquisition. At the end of the 3-year period after completion of the Paliburg Acquisition, all the then outstanding Paliburg Convertible Preference Shares will be converted into Paliburg Ordinary Shares on a mandatory basis. If all the Paliburg Convertible Preference Shares are converted into Paliburg Ordinary Shares, 3,450 million to 4,750 million Paliburg Ordinary Shares, representing respectively approximately 148.8% and approximately 204.9% of the existing issued ordinary share capital of Paliburg and respectively approximately 59.8% and approximately 67.2% of the enlarged issued ordinary share capital of Paliburg, will be issued. If there is otherwise no change in Century City Group's shareholding interest in Paliburg, upon conversion of the Paliburg Convertible Preference Shares in full, Paliburg will cease to be a subsidiary of Century City. The new Paliburg Ordinary Shares which will be issued pursuant to the Paliburg Convertible Preference Shares shall rank pari passu in all respects with the Paliburg Ordinary Shares in issue on the exercise date of the conversion rights attaching to the Paliburg Convertible Preference Shares.

The table below shows the shareholding structure of Paliburg if all the Paliburg Convertible Preference Shares are converted into Paliburg Ordinary Shares (based on the present shareholding structure of Paliburg and without taking into consideration the effect of the Share Swap):

	Existing structure		After full conversion of the Paliburg Convertible Preference Shares			
	Number of shares million	%	Based on 3,450 million Paliburg Convertible Preference Shares		Based on 4,750 million Paliburg Convertible Preference Shares	
	Number of shares million	%	Number of shares million	%	Number of shares million	%
Century City	1,373.0	59.2	1,373.0	23.8	1,373.0	19.4
Mr. Lo and his associates (including the First Vendor)	0.2	0.0	2,750.2	47.7	2,750.2	38.9
Second Vendor	—	—	500.0	8.7	500.0	7.1
Third Vendor	—	—	200.0	3.4	200.0	2.8
New VPI Investors	—	—	—	—	1,300.0	18.4
Other directors of Paliburg and Regal	4.2	0.2	4.2	0.1	4.2	0.1
Other shareholders	941.1	40.6	941.1	16.3	941.1	13.3
<b>Total</b>	<b>2,318.5</b>	<b>100.0</b>	<b>5,768.5</b>	<b>100.0</b>	<b>7,068.5</b>	<b>100.0</b>

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The conversion price of the Paliburg Convertible Preference Shares of HK\$0.10 each represents:

1. a premium of approximately 25.0% over the closing market price of HK\$0.08 per Paliburg Ordinary Share on the Stock Exchange on the date of this announcement and the date on which the Paliburg Acquisition Agreement was entered into; and
2. a premium of approximately 12.9% over the average closing market price of the Paliburg Ordinary Shares on the Stock Exchange for the 10 trading days up to and including 2nd August, 2002, being approximately HK\$0.0886 per Paliburg Ordinary Share.

The terms of the Paliburg Acquisition were determined after arm's length negotiations and with reference to the Business Valuation.

#### Conditions

Completion of the Paliburg Acquisition is subject to certain conditions being satisfied or waived, if applicable, on or before 31st October, 2002 or such later date as shall be agreed by the parties to the Paliburg Acquisition Agreement. The conditions include, among other things, the following:

- the implementation of the Settlement Proposal;
- the approvals by the independent shareholders of Century City and Paliburg for the Paliburg Acquisition and the issue of Paliburg Convertible Preference Shares at their special general meetings at which Mr. Lo, Ms. Lo and their respective associates should abstain from voting;
- the Stock Exchange granting approval for the listing of, and the permission to deal in, the Paliburg Ordinary Shares which may be issued upon exercise of the conversion rights attaching to the Paliburg Convertible Preference Shares;
- Paliburg being satisfied with the financial, legal and business due diligence on the VPI Group;
- all necessary approvals from the Bermudan Monetary Authority having been obtained;
- the First Vendor and VPI delivering to Paliburg a business valuation report and/or certificate by an independent professional valuer jointly engaged by the First Vendor and Paliburg stating the value of the Business Valuation of not less than HK\$600 million as at 31st May, 2002 or such later date as agreed between the Vendors and Paliburg;
- implementation of the Paliburg Capital Reorganisation;
- the Vendors being satisfied with the financial condition of the Paliburg Group and that no material loan of the Paliburg Group is in default; and
- obtaining consent from certain lending banks of the Paliburg Group, if necessary.

#### Reasons for the Paliburg Acquisition

Century City and Paliburg, through their respective subsidiaries, are principally engaged in, among other things, property development and investment, property management, construction and construction-related businesses.

Paliburg believes that the businesses of the Leading Technology Group are in similar lines of business to the businesses of the Paliburg Group as they are both engaged in property-related services businesses. The businesses of the Leading Technology Group, in fact, are beneficial to the on-going development of the Paliburg Group in those business areas given the increasing demands for higher-technology property-related services.

Paliburg and Century City believe that the Paliburg Acquisition will improve the financial position of the Paliburg Group. The capital base of Paliburg will expand through the issue of the Paliburg Convertible Preference Shares under the Paliburg Acquisition. Upon completion of the Paliburg Acquisition, cash of at least HK\$70 million contained in the wholly-owned subsidiaries of VPI will considerably improve the working capital position of the Paliburg Group.

Paliburg and Century City also believe that the Paliburg Acquisition will enrich and strengthen the businesses of the Paliburg Group. The Paliburg Acquisition, in particular the investment in the Leading Technology Group, will enhance the technology development aspects of the Paliburg Group's property-related services businesses. Paliburg believes that investment in the Leading Technology Group will increase the competitive strength of its existing property business, particularly in the fields of development consultancy (including architectural services), construction and management of properties.

Paliburg understands that it is proposed that the LTH Listing will be carried out in the future. Paliburg believes that if the LTH Listing proceeds, the value and/or the quality of its investment in the Leading Technology Group may be further enhanced. Paliburg also understands that up to the date of this announcement, no listing application has been made to any stock exchange in respect of the LTH Listing. Shareholders of Century City and Paliburg should note that the LTH Listing may or may not take place.

In addition, VPI will be granted the LTH Option to acquire the LTH Option Shares from the First Vendor giving the Paliburg Group the opportunity to enjoy further upside in the business prospects of the Leading Technology Group, at a price based on at least 50% discount to its present business valuation or at a 50% discount to the underwritten price in the Listing Determination.

The directors of Paliburg and Century City believe that the terms of the Paliburg Acquisition are fair and reasonable and the Paliburg Acquisition is in the interests of Paliburg, Century City and their respective shareholders as a whole.

#### Listing Rules requirements

Mr. Lo is the controlling shareholder and chairman of the board of directors of Century City and the chairman of the board of directors of Paliburg. The First Vendor is effectively owned as to approximately 81.7% by Mr. Lo, approximately 3.3% by the Century City Group, 10% by the Regal and 5% by an independent third party. The Second Vendor is effectively owned as to 60% by Ms. Lo, a director of certain subsidiaries of Regal and the daughter of Mr. Lo. Mr. Lo holds the entire issued share capital of the Third Vendor as a trustee and may have discretion over the exercise of the voting right attaching to the entire issued share capital of the Third Vendor. Therefore, the First Vendor, the Second Vendor and the Third Vendor are connected persons of Century City and Paliburg. The Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement) constitutes a major and connected transaction for Century City and a very substantial acquisition and connected transaction for Paliburg. The Stock Exchange has confirmed that the Paliburg Acquisition will not be treated as a new listing application under Rule 14.07 of the Listing Rules.

Approvals of the independent shareholders of Century City and Paliburg are required for the completion of the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement). Mr. Lo, Ms. Lo and their respective associates will abstain from voting at the special general meetings of Century City and Paliburg in respect of the resolution for approving the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement).

Paliburg will make an application to the Stock Exchange seeking approval from the Stock Exchange for the listing of, and permission to deal in, the Paliburg Ordinary Shares which may be issued upon exercise of the conversion rights attaching to the Paliburg Convertible Preference Shares.

Paliburg will undertake to the Stock Exchange that it will inform the Stock Exchange of any dealings by any connected persons (as defined in the Listing Rules) of Paliburg in respect of the Paliburg Convertible Preference Shares from time to time immediately upon Paliburg becoming aware of any such dealings.

#### THE SHARE SWAP

##### The Share Swap Agreement

On 2nd August, 2002, Century City, the Vendors and the Paliburg Shares SPC entered into the Share Swap Agreement. Under the Paliburg Acquisition Agreement, Paliburg Convertible Preference Shares will be issued to the Vendors. Under the Share Swap Agreement, (i) each of the Vendors (including the First Vendor on behalf of certain New VPI Investors (if any, who will in aggregate own not more than 300 million Paliburg Convertible Preference Shares)) will sell in aggregate up to 3,750 million Paliburg Convertible Preference Shares to the Paliburg Shares

SPC; (ii) the Paliburg Shares SPC will issue 4 Exchangeable Preference Shares to each of the relevant Vendors and certain New VPI Investors for every Paliburg Convertible Preference Share purchased by it (up to 15,000 million Exchangeable Preference Shares); and (iii) the First Vendor has agreed to sell and Century City has agreed to acquire the entire issued ordinary share capital of the Paliburg Shares SPC at HK\$8.00.

Century City has the right to procure the Paliburg Shares SPC to exercise the conversion rights attaching to the Paliburg Convertible Preference Shares held by the Paliburg Shares SPC at any time during the Exchange Period provided that none of the events as set out below which would permit exercise of the exchange rights in respect of the Series A Exchangeable Preference Shares shall have occurred, but in any event the converted Paliburg Ordinary Shares will be held by the Paliburg Shares SPC until the expiry of the Exchange Period, unless the relevant holders exercise the exchange rights attached to the Exchangeable Preference Shares.

The audited consolidated net tangible asset value of Paliburg as at 31st December, 2001 was approximately HK\$2,133.7 million. The audited consolidated losses before and after taxation of Paliburg for the year ended 31st December, 2000 were approximately HK\$810.0 million and approximately HK\$828.9 million respectively, and those for the year ended 31st December, 2001 were approximately HK\$1,221.6 million and approximately HK\$1,217.8 million respectively.

The terms of the Share Swap Agreement were determined after arm's length negotiations.

#### The Exchangeable Preference Shares

The Exchangeable Preference Shares will be issued by the Paliburg Shares SPC, which is not a company listed on any stock exchange, and are freely transferable but will not be listed on any stock exchange. The Exchangeable Preference Shares will be issued in two series: Series A will be issued to the First Vendor and Series B will be issued to the Second Vendor, the Third Vendor and certain New VPI Investors. Every 4 Exchangeable Preference Shares are exchangeable at the option of the holder for 1 Paliburg Convertible Preference Share, or 1 Paliburg Ordinary Share (subject to adjustment) so converted pursuant to the Paliburg Convertible Preference Share. At the end of the Exchange Period, all the exchange rights attaching to the Exchangeable Preference Shares will be exercised on a mandatory basis.

Under the Share Swap Agreement, the First Vendor (or such other holder(s) of the Series A Exchangeable Preference Shares other than Century City (or its nominees)) may not exercise the exchange rights attaching to the Series A Exchangeable Preference Shares held by it during the Exchange Period unless (i) a material adverse change has occurred in relation to the financial, business and/or listing status of the Century City Group (in the reasonable opinion of the First Vendor); or (ii) any creditor of any member of the Century City Group takes or purports to take any precipitating action against a member of the Century City Group; or (iii) any creditor of any member of the Century City Group takes or purports to take any action which, in the opinion of the First Vendor, could materially prejudice the position of the holders of the Exchangeable Preference Shares or in any way delay or impede the exercise of any of their rights as holders of such; or (iv) Mr. Lo (a) ceases to be in direct or indirect control of over 50% of the voting rights of Century City or (b) ceases to have the right to nominate more than 50% of the directors to the board of directors of Century City.

#### The Rights to Call and the Rights to Put

The Exchangeable Preference Shares will be issued with the following features:

1. Each holder of the Exchangeable Preference Shares (both Series A and Series B) can at any time during the Exchange Period (provided that the Paliburg Shares SPC remains a wholly-owned subsidiary of Century City) exercise the Rights to Put requiring Century City to acquire the Exchangeable Preference Shares and, in return Century City will issue one Century City Ordinary Share (subject to adjustment) for every Exchangeable Preference Share acquired.
2. At any time during the Exchange Period (provided that the Paliburg Shares SPC remains a wholly-owned subsidiary of Century City), Century City can, subject to the following conditions, exercise the Rights to Call to acquire the Series A Exchangeable Preference Shares from the holders by issuing one new Century City Ordinary Share (subject to adjustment) for every Series A Exchangeable Preference Share then acquired. Century City may not exercise the Rights to Call unless (i) the Century City Group has successfully restructured its debts (in the reasonable opinion of the First Vendor) within the period in which the Rights to Call can be exercised; (ii) Mr. Lo (a) remains in direct or indirect control of over 50% of the voting rights of Century City and (b) shall have the right to nominate more than 50% of the directors to the board of directors of Century City; (iii) the Century City Ordinary Shares remain listed on the Stock Exchange; and (iv) the Century City Group is no longer in default of any material loan. Despite the above conditions, Century City may always exercise the Rights to Call with the consent of the First Vendor.

If a total of 15,000 million Exchangeable Preference Shares (Series A and Series B) are acquired by Century City pursuant to the Rights to Call and/or the Rights to Put, Century City will issue 15,000 million new Century City Ordinary Shares (representing approximately 393.0% of the existing issued share capital of Century City and approximately 79.7% of the enlarged issued share capital of Century City).

The new Century City Ordinary Shares which may be issued pursuant to the Rights to Put and/or the Rights to Call shall rank pari passu in all respects with the Century City Ordinary Shares in issue on the exercise date of the relevant rights.

#### Repurchase right of the First Vendor

During the Exchange Period, the First Vendor will be given the right to acquire the entire issued ordinary share capital of the Paliburg Shares SPC for HK\$8.00 if any creditor of any member of the Century City Group takes or purports to take any action which could, in the opinion of the First Vendor, materially prejudice the position of the holders of the Exchangeable Preference Shares or in any way delay or impede the exercise of any of their rights as holders of such shares.

#### Conditions

Completion of the Share Swap Agreement is subject to certain conditions being satisfied or, if applicable, waived on or before 31st October, 2002 or such later date as shall be agreed by the parties to the Share Swap Agreement. The conditions include, among other things, the following:

- the approval by the independent shareholders of Century City for the transactions contemplated by the Share Swap Agreement;
- the Stock Exchange granting approval for the listing of, and the permission to deal in, the Century City Ordinary Shares which may be issued under the Share Swap; and
- completion of the Paliburg Acquisition.

#### Reasons for the Share Swap

Paliburg is a listed major subsidiary of Century City. Century City's shareholding interest in Paliburg may be diluted and Paliburg may cease to be a subsidiary of Century City upon exercise of the conversion rights attaching to the Paliburg Convertible Preference Shares to be issued under the Paliburg Acquisition. The Share Swap gives Century City a mechanism to maintain a controlling interest in Paliburg. Century City believes that it is in its interests to maintain a controlling stake in Paliburg and can facilitate the negotiation and implementation of the debt restructuring of the Century City Group.

The directors of Century City believe that terms of the Share Swap Agreement are fair and reasonable and the Share Swap is in the interests of Century City and its shareholders as a whole.

#### Businesses of the Century City Group

Century City, through its subsidiaries, engages in property development, investment and management, construction and construction related businesses and hotel ownership and management. The Century City Group also has other investments in communication and information technology related businesses, including a 10% direct interest in 8D Matrix Limited, a 10% direct interest in 8D International (BVI) Limited and an approximately 9.7% interest in Prism Communications International Limited. 8D Matrix Limited, through its subsidiary, is engaged in advertising, promotion and communications businesses. 8D International (BVI) Limited, through its associates, is engaged in information technology and broadband network businesses in The People's Republic of China. Prism Communications International Limited,

through its wholly-owned subsidiary, is principally engaged in telecommunications and internet-related businesses and equipment trading, and provides international voice and fax long distance services. The total investment cost of the Century City Group in the above companies as at 31st July, 2002 was approximately HK\$60 million.

Following completion of the Share Swap, the Century City Group will, apart from the investment holding in the Paliburg Group and the Regal Group, continue to seek to be further involved in the information technology and telecommunications businesses and to explore other suitable business opportunities, if circumstances are considered appropriate.

The audited consolidated deficiency in net tangible assets of Century City as at 31st December, 2001 was approximately HK\$209.7 million. The audited consolidated losses before and after taxation of Century City for the year ended 31st December, 2000 were approximately HK\$646.9 million and approximately HK\$665.8 million respectively, and those for the year ended 31st December, 2001 were approximately HK\$2,237.9 million and approximately HK\$2,234.2 million respectively.

The Stock Exchange has indicated that it will monitor the businesses and activities of Century City after completion of the Paliburg Acquisition Agreement and the Share Swap Agreement. The Stock Exchange reserves its right to review whether Century City has sufficient assets and operations to warrant Century City's continued listing when the Stock Exchange considers the circumstances necessitate, including but not limited to the event that Paliburg ceases to be a subsidiary of Century City.

#### Listing Rules requirements

As mentioned above, the First Vendor, the Second Vendor and the Third Vendor are connected persons of Century City. The Share Swap constitutes a major and connected transaction for Century City. Approval of the independent shareholders of Century City is required for the Share Swap. Mr. Lo, Ms. Lo and their respective associates will abstain from voting at the special general meeting of Century City for approving the Share Swap.

Century City will make an application to the Stock Exchange seeking approval from the Stock Exchange for the listing of, and permission to deal in, the Century City Ordinary Shares which may be issued under the Share Swap.

#### EFFECT OF THE PALIBURG ACQUISITION AND THE SHARE SWAP ON THE SHAREHOLDING STRUCTURES OF CENTURY CITY AND PALIBURG

The following table illustrates the possible effect of the Paliburg Acquisition and the Share Swap upon the shareholding structure of Century City.

	Existing/immediately after completion of the Paliburg Acquisition Agreement and the Share Swap Agreement		Scenario 1		Scenario 2	
	Number of shares million	%	Number of shares million	%	Number of shares million	%
Mr. Lo and his associates (including the First Vendor)	1,941.8	50.9	12,941.8	73.5	12,941.8	68.8
Second Vendor	—	—	2,000.0	11.4	2,000.0	10.6
Third Vendor	—	—	800.0	4.5	800.0	4.2
Certain New VPI Investors	—	—	—	—	1,200.0	6.4
Other directors of Century City, Paliburg and Regal	17.1	0.4	17.1	0.1	17.1	0.1
Other shareholders	1,857.9	48.7	1,857.9	10.5	1,857.9	9.9
<b>Total</b>	<b>3,816.8</b>	<b>100.0</b>	<b>17,616.8</b>	<b>100.0</b>	<b>18,816.8</b>	<b>100.0</b>

*Scenario 1: Assuming (i) a minimum of 3,450 million Paliburg Convertible Preference Shares are issued by Paliburg; and (ii) 13,800 million Exchangeable Preference Shares are issued by the Paliburg Shares SPC and all of them are acquired by Century City pursuant to the Rights to Put and/or Rights to Call.*

*Scenario 2: Assuming (i) at least 3,750 million to a maximum of 4,750 million Paliburg Convertible Preference Shares are issued by Paliburg; and (ii) 15,000 million Exchangeable Preference Shares are issued by the Paliburg Shares SPC and all of them are acquired by Century City pursuant to the Rights to Put and/or Rights to Call.*

The following table illustrates the possible effect of the Paliburg Acquisition and the Share Swap upon the shareholding structure of Paliburg.

	Existing/immediately after completion of the Paliburg Acquisition Agreement and the Share Swap Agreement		Scenario 1		Scenario 2	
	Number of shares million	%	Number of shares million	%	Number of shares million	%
Century City	1,373.0	59.2	4,823.0	83.6	5,123.0	72.5
Mr. Lo and his associates	0.2	0.0	0.2	0.0	0.2	0.0
Other directors of Paliburg and Regal	4.2	0.2	4.2	0.1	4.2	0.1
New VPI Investors	—	—	—	—	1,000.0	14.1
Other shareholders	941.1	40.6	941.1	16.3	941.1	13.3
<b>Total</b>	<b>2,318.5</b>	<b>100.0</b>	<b>5,768.5</b>	<b>100.0</b>	<b>7,068.5</b>	<b>100.0</b>

*Scenario 1: Assuming (i) a minimum of 3,450 million Paliburg Convertible Preference Shares are issued by Paliburg and all of them are converted by the Paliburg Shares SPC; and (ii) 13,800 million Exchangeable Preference Shares are issued by the Paliburg Shares SPC and all of them are acquired by Century City pursuant to the Rights to Put and/or Rights to Call.*

*Scenario 2: Assuming (i) a maximum of 4,750 million Paliburg Convertible Preference Shares are issued by Paliburg and all of them are converted (including the 3,750 million Paliburg Convertible Preference Shares converted by the Paliburg Shares SPC); and (ii) 15,000 million Exchangeable Preference Shares are issued by the Paliburg Shares SPC and all of them are acquired by Century City pursuant to the Rights to Put and/or Rights to Call.*

Based on the existing shareholding structures of Century City and Paliburg, the respective percentages of the issued Century City Ordinary Shares and Paliburg Ordinary Shares held by public may fall below the minimum 25% as required by Rule 8.08 of the Listing Rules after exercise of the Rights to Call and/or the Rights to Put and/or the conversion rights attached to the Paliburg Convertible Preference Shares. Each of Century City and Paliburg has respectively undertaken to the Stock Exchange that it will not cause its public float to fall below the minimum public float requirement under Rule 8.08 of the Listing Rules as a result of exercise of the Rights to Call attached to the Exchangeable Preference Shares and/or the conversion rights attached to the Paliburg Convertible Preference Shares (as the case may be). Mr. Lo has also undertaken to the Stock Exchange that he will not cause the public float of Century City and Paliburg to fall below the minimum public float required under Rule 8.08 of the Listing Rules as a result of exercise of the Rights to Put attached to the Exchangeable Preference Shares and/or the conversion rights attached to the Paliburg Convertible Preference Shares owned by him and his associates (as defined in the Listing Rules).

#### PROPOSED PALIBURG CAPITAL REORGANISATION

The board of directors of Paliburg intends to put forward for approval by the shareholders of Paliburg the Paliburg Capital Reorganisation, which includes, among other things, the following proposals/steps:

- the nominal value of each issued Paliburg Ordinary Share will be reduced from HK\$1.00 to HK\$0.01 by the cancellation of HK\$0.99 of the paid-up capital on each issued Paliburg Ordinary Share;
- the credit created in 1. above will be used to eliminate the Paliburg Accumulated Losses with any remaining balance being transferred to the Paliburg Contributed Surplus Account;
- the entire amounts standing to the credits of the Paliburg Share Premium Account and the Paliburg Capital Redemption Reserve Account will be cancelled;
- the credits created in 3. above will also be transferred to the Paliburg Contributed Surplus Account; and
- the then existing authorised but unissued share capital of Paliburg will be cancelled and the authorised share capital of Paliburg will be subsequently increased to HK\$675 million by the creation of additional 17,681,502,548 Adjusted Paliburg Ordinary Shares of HK\$0.01 each and 4,750 million Paliburg Convertible Preference Shares of HK\$0.10 each.

#### Effects of the Paliburg Capital Reorganisation

The existing authorised share capital of Paliburg is HK\$6,000 million divided into 6,000 million Paliburg Ordinary Shares of par value HK\$1.00 each. 2,318,497,452 Paliburg Ordinary Shares are in issue and credited as fully paid as at the date of this announcement. The issued and paid-up share capital of Paliburg will be reduced by approximately HK\$2,295.3 million as a result of the reduction of the nominal value of each Paliburg Ordinary Share from HK\$1.00 to HK\$0.01 by the cancellation of the paid-up share capital of HK\$0.99 in respect of each Paliburg Ordinary Share then in issue. A credit of approximately HK\$2,295.3 million will arise as a result of the reduction of the paid-up share capital of the Paliburg Ordinary Shares then in issue, part of which will be used to eliminate the Paliburg Accumulated Losses.

The authorised but unissued share capital of Paliburg will be cancelled and the authorised share capital of Paliburg will be subsequently increased to HK\$675 million comprising (i) HK\$200 million divided into 20,000 million Adjusted Paliburg Ordinary Shares of HK\$0.01 each and (ii) HK\$475 million divided into 4,750 million Paliburg Convertible Preference Shares of HK\$0.10 each upon the Paliburg Capital Reorganisation becoming effective.

As at 31st December, 2001, Paliburg recorded audited accumulated losses of approximately HK\$539.7 million and the audited balances of its share premium account and capital redemption reserve account were approximately HK\$68.3 million and approximately HK\$52.4 million respectively. The credit arising from the Paliburg Capital Reduction will be used to eliminate the Paliburg Accumulated Losses with any remaining balance being transferred to the Paliburg Contributed Surplus Account. The entire amounts standing to the credits of the Paliburg Share Premium Account and the Paliburg Capital Redemption Reserve Account will be cancelled and the credits arising therefrom will be transferred to the Paliburg Contributed Surplus Account.

The directors of Paliburg consider that other than the expenses relating to the Paliburg Capital Reorganisation, implementation of the Paliburg Capital Reorganisation will not, of itself, affect Paliburg's underlying assets, business operations, financial position and management or the interests of the shareholders of Paliburg.

#### Reasons for the Paliburg Capital Reorganisation

The Paliburg Ordinary Shares had been traded on the Stock Exchange at prices below the par value since October 1998. As no Paliburg Ordinary Shares can be issued at a price below the par value, the fund raising capability of Paliburg has been restricted by market trading prices. The directors of Paliburg are of the view that the Paliburg Capital Reduction can reduce the par value of the Paliburg Ordinary Shares and therefore can enhance Paliburg's future fund raising capability. By offsetting its accumulated losses under the Paliburg Capital Reorganisation, Paliburg will be able to declare dividends to its shareholders at an earlier opportunity than by generating future profits to offset its accumulated losses. Therefore, the Paliburg Capital Reorganisation is in the interests of Paliburg and the shareholders of Paliburg as a whole.

#### Conditions of the Paliburg Capital Reorganisation

The Paliburg Capital Reorganisation is subject to, among other things, the following conditions:

- the passing of the relevant resolutions by the shareholders of Paliburg to approve the proposed Paliburg Capital Reorganisation;
- the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Paliburg Ordinary Shares;
- implementation of the Settlement Proposal; and
- the publication of a notice in relation to the Paliburg Capital Reorganisation in Bermuda in accordance with the Companies Act and satisfying all relevant provisions under the Companies Act and the bye-laws of Paliburg.

The date when the Paliburg Capital Reorganisation shall become effective depends on the completion of the Settlement Proposal. Paliburg will issue a further announcement in respect of the Paliburg Capital Reorganisation when it has determined when the effective date of the Paliburg Capital Reorganisation shall be.

Century City and its associates, together beneficially holding approximately 59.2% of the Paliburg Ordinary Shares in issue, have indicated to the board of directors of Paliburg that they will vote in favour of the relevant resolution(s) in relation to the Paliburg Capital Reorganisation in the special general meeting.

#### Listing application

Paliburg will make an application to the Stock Exchange seeking approval from the Stock Exchange for the listing of, and permission to deal in, the Adjusted Paliburg Ordinary Shares.

Subject to the granting of listing of, and permission to deal in, the Adjusted Paliburg Ordinary Shares on the Stock Exchange, the Adjusted Paliburg Ordinary Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Paliburg Ordinary Shares on the Stock Exchange or such other date as determined by Hongkong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

#### PROPOSED REGAL CAPITAL REORGANISATION

The board of directors of Regal intends to put forward for approval by the shareholders of Regal the Regal Capital Reorganisation which includes, among other things, the following proposals/steps:

- the nominal value of each then issued Regal Ordinary Share will be reduced from HK\$0.10 to HK\$0.01 by the cancellation of HK\$0.09 of the paid-up capital on each then issued Regal Ordinary Share;
- the credit created in 1. above will be used to eliminate part of the Regal Accumulated Losses;
- the entire amounts standing to the credits of the Regal Share Premium Account and the Regal Capital Redemption Reserve Account will be cancelled;
- the credits created in 3. above will be used to eliminate the balance of the Regal Accumulated Losses and the balance of such credits, if any, will be transferred to the Regal Contributed Surplus Account; and
- the then existing authorised but unissued share capital of Regal will be cancelled and the authorised share capital of Regal will be subsequently increased to approximately HK\$101.3 million by the creation of additional 5,971,227,497 (or such other amount which will make up the total number of Adjusted Regal Ordinary Shares to 10,000 million) Adjusted Regal Ordinary Shares.

### Effects of the Regal Capital Reorganisation

The existing authorised share capital of Regal is approximately HK\$623.2 million divided into 6,000 million Regal Ordinary Shares of par value HK\$0.10 each and 300,000 Regal Convertible Preference Shares of US\$10 each. 4,028,772,503 Regal Ordinary Shares and 16,748 Regal Convertible Preference Shares are in issue and credited as fully paid as at the date of this announcement. The issued and paid-up share capital of Regal will be reduced by approximately HK\$362.6 million (or such other amount should there be any change in the share capital of Regal taking place subsequent to the date of this announcement but before the effective date of the Regal Capital Reorganisation) as a result of the reduction of the nominal value of each Regal Ordinary Share from HK\$0.10 to HK\$0.01 by the cancellation of paid-up share capital of HK\$0.09 in respect of each Regal Ordinary Share then in issue. A credit of the same amount will arise as a result of the reduction of the paid-up share capital of the Regal Ordinary Shares then in issue, which will be used to eliminate part of the Regal Accumulated Losses.

The authorised but unissued share capital of Regal will be cancelled and the authorised share capital of Regal will be subsequently increased to approximately HK\$101.3 million comprising (i) HK\$100 million divided into 10,000 million Adjusted Regal Ordinary Shares of HK\$0.01 each and (ii) approximately HK\$1.3 million divided into 16,748 Regal Convertible Preference Shares of US\$10 each upon the Regal Capital Reorganisation becoming effective.

The entire amounts standing to the credits of the Regal Share Premium Account and Regal Capital Redemption Reserve Account will be cancelled and the credits arising therefrom will be used to eliminate the balance of the Regal Accumulated Losses and the balance of such credits, if any, will be transferred to the Regal Contributed Surplus Account. As at 31st December, 2001, Regal recorded audited accumulated losses of approximately HK\$2,551.2 million and the audited balances of its share premium account and capital redemption reserve account were approximately HK\$1,653.8 million and approximately HK\$13.5 million respectively.

The directors of Regal consider that other than the expenses relating to the Regal Capital Reorganisation, implementation of the Regal Capital Reorganisation will not, of itself, affect Regal's underlying assets, business operations, financial position and management or the interests of the shareholders of Regal.

### Reasons for the Regal Capital Reorganisation

The directors of Regal are of the view that the Regal Capital Reorganisation can reduce the par value of the Regal Ordinary Shares and therefore can enhance Regal's future fund raising capability. By offsetting all or part of its accumulated losses under the Regal Capital Reorganisation, Regal will be able to declare dividends to its shareholders at an earlier opportunity than by generating future profits to offset its accumulated losses. Therefore, the Regal Capital Reorganisation is in the interests of Regal and the shareholders of Regal as a whole.

### Conditions of the Regal Capital Reorganisation

The Regal Capital Reorganisation is subject to, among other things, the following conditions:

- the passing of the relevant resolutions by the shareholders of Regal to approve the proposed Regal Capital Reorganisation;
- the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Regal Ordinary Shares; and
- the publication of a notice in relation to the Regal Capital Reorganisation in Bermuda in accordance with the Companies Act and satisfying all relevant provisions under the Companies Act and the bye-laws of Regal.

Regal will issue a further announcement in respect of the Regal Capital Reorganisation when it has determined when the effective date of the Regal Capital Reorganisation shall be.

Paliburg and its associates, together beneficially holding approximately 69.3% of the Regal Ordinary Shares in issue, have indicated to the board of directors of Regal that they will vote in favour of the relevant resolution(s) in relation to the Regal Capital Reorganisation in the special general meeting.

### Listing application

Regal will make an application to the Stock Exchange seeking approval from the Stock Exchange for the listing of, and permission to deal in, the Adjusted Regal Ordinary Shares.

Subject to the granting of listing of, and permission to deal in, the Adjusted Regal Ordinary Shares on the Stock Exchange, the Adjusted Regal Ordinary Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Regal Ordinary Shares on the Stock Exchange or such other date as determined by Hongkong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### PROPOSED DEBT RESTRUCTURING OF THE CENTURY CITY GROUP AND LOAN RESCHEDULING OF THE REGAL GROUP

As mentioned in the 2001 annual report of Century City, the Century City Group has encountered liquidity problem and has been negotiating with its financial creditors in respect of the restructuring of its indebtedness. Century City has presented a debt restructuring proposal to its financial creditors for their consideration and approval. Further announcement(s) regarding the status of Century City's debt restructuring will be made in due course as and when required.

As mentioned in the 2001 annual report of Regal, the Regal Group is in discussions with the lenders of its outstanding bank loans with a view to rescheduling or extending the principal repayments of such loans. Further announcement regarding the progress on such rescheduling discussions will be made by Regal in due course as and when required.

### SPECIAL GENERAL MEETINGS AND SHAREHOLDER CIRCULARS

A special general meeting will be held by Century City with a view to obtaining approvals from (i) its independent shareholders in respect of the Stanley Transfer and the several guarantee which Paliburg has agreed to continue to provide in respect of 40% of the bank borrowings of Chest Gain, the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement) and the Share Swap and (ii) its shareholders for the Settlement Proposal. A special general meeting will be held by Paliburg with a view to obtaining approvals from (i) its independent shareholders for the Stanley Transfer and the several guarantee which Paliburg has agreed to continue to provide in respect of 40% of the bank borrowings of Chest Gain and the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement), and (ii) its shareholders for the Settlement Proposal and the Paliburg Capital Reorganisation. A special general meeting will be held by Regal with a view to obtaining approvals from (i) its independent shareholders for the Stanley Transfer, and (ii) its shareholders for the Regal Capital Reorganisation.

Century City has appointed an independent financial adviser, Altus Capital Limited, to advise its independent board committee in respect of the Stanley Transfer and the several guarantee which Paliburg has agreed to continue to provide in respect of 40% of the bank borrowings of Chest Gain, the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement) and the Share Swap.

Paliburg has appointed an independent financial adviser, Access Capital Limited, to advise its independent board committee in respect of the Stanley Transfer and the several guarantee which Paliburg has agreed to continue to provide in respect of 40% of the bank borrowings of Chest Gain and the Paliburg Acquisition (including taking the benefit of the LTH Option under the Paliburg Acquisition Agreement).

Regal has appointed an independent financial adviser, Dao Heng Securities Ltd. to advise its independent board committee in respect of the Stanley Transfer.

Circulars containing details of the Stanley Transfer, the Settlement Proposal, the Paliburg Acquisition, the Share Swap, the Paliburg Capital Reorganisation and/or the Regal Capital Reorganisation (as the case may be), the recommendations from the respective independent board committees and the letters of advice from the respective independent financial advisers, together with the notices of the special general meetings will be despatched by Century City, Paliburg and Regal to their respective shareholders as soon as practicable.

### GENERAL

Ernst & Young Corporate Finance Limited has been appointed as the financial adviser to Paliburg.

Implementation of the Settlement Proposal will be conditional on, among other things, the obtaining of all necessary consents and approvals, including approvals by the Existing Bondholders, other relevant lenders of the Paliburg Group, and the shareholders of Century City and Paliburg and the completion of the Stanley Transfer which in turn is conditional on, among other things, obtaining approvals from the independent shareholders of Century City, Paliburg, Regal and consents from the bank creditors of the Stanley Project. Completion of the Paliburg Acquisition Agreement and the Share Swap Agreement are conditional on, among other things, Bonds Settlement Closing, the implementation of the Paliburg Capital Reorganisation and the independent shareholders' approval of Century City and/or Paliburg. Implementation of the Settlement Proposal is not conditional on the completion of the Paliburg Acquisition Agreement or the Share Swap Agreement and the implementation of the Paliburg Capital Reorganisation or the Regal Capital Reorganisation. **There is no assurance that all the necessary consents and approvals will be obtained. The Settlement Proposal and/or the Stanley Transfer and/or the Paliburg Acquisition and/or the Share Swap and/or the Paliburg Capital Reorganisation and/or the Regal Capital Reorganisation may or may not proceed. The issue of this announcement does not in any way imply that the Settlement Proposal and/or the Stanley Transfer and/or the Paliburg Acquisition and/or the Share Swap and/or the Paliburg Capital Reorganisation and/or the Regal Capital Reorganisation will necessarily be implemented and completed.**

### DEFINITIONS

"Adjusted Paliburg Ordinary Share(s)"	adjusted ordinary share(s) of par value HK\$0.01 each in the share capital of Paliburg upon completion of the Paliburg Capital Reorganisation
"Adjusted Regal Ordinary Share(s)"	adjusted ordinary share(s) of par value HK\$0.01 each in the share capital of Regal upon completion of the Regal Capital Reorganisation
"associate(s)"	has the meaning as ascribed to it in the Listing Rules
"Bonds Settlement Closing"	the completion of the implementation of the Settlement Proposal at which, among other things, the Existing Bonds will be cancelled and the Series A Bonds and the Series B1 Bonds will be issued
"Business Valuation"	the business valuation of certain principal operating subsidiaries of Leading Technology, carried out by an independent valuer as at 31st May, 2002 (or such later date as agreed by the parties to the Paliburg Acquisition Agreement)
"CCASS"	the Central Clearing and Settlement System established and operated by Hongkong Clearing
"Century City"	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Century City Group"	Century City and its subsidiaries and associated companies (excluding the Paliburg Group and the Regal Group)
"Century City Ordinary Shares"	ordinary shares of par value HK\$0.10 each in the share capital of Century City
"Chest Gain"	Chest Gain Development Limited, a company incorporated in Hong Kong and the owner and developer of the Stanley Project
"Companies Act"	the Companies Act 1981 of Bermuda
"Consideration Shares"	1,958,333,333 Regal Ordinary Shares to be issued and allotted at a price of HK\$0.24 per share under the Stanley Transfer
"Convertible Bonds"	US\$210,000,000 zero coupon guaranteed convertible bonds due 2002 issued by PFCBL and guaranteed by Paliburg
"Equity Issue(s)"	rights issue, placing and/or other equity issues which result in new shares of Regal being issued and allotted in consideration for cash
"Exchangeable Bonds"	US\$140,000,000 3½% guaranteed exchangeable bonds due 2001 issued by PIFL and guaranteed by Paliburg
"Exchangeable Preference Shares"	the exchangeable preference shares in two series (Series A and Series B) in the share capital of the Paliburg Shares SPC
"Exchange Period"	the 1-year period after the issue and allotment of the Exchangeable Preference Shares under the Share Swap Agreement
"Existing Bondholders"	holders of the Existing Bonds who are independent third parties not connected with any of the directors, chief executive and substantial shareholders of Paliburg, its subsidiaries and any of their associates
"Existing Bonds"	the Exchangeable Bonds and the Convertible Bonds
"Final Redemption Date"	the date when the Series B Bonds mature which is 21 months after Bonds Settlement Closing or such later date as the holders of the Series B Bonds may approve
"First Vendor"	Grand Modern Investments Limited, a company controlled by Mr. Lo
"Hong Kong"	the Hong Kong Special Administrative Region of The People's Republic of China
"Hongkong Clearing"	Hong Kong Securities Clearing Company Limited
"Issuing SPCs"	PIFL and PFCBL, which will be the issuers of the Series A Bonds and the Series B Bonds
"Leading Technology"	Leading Technology Holdings Limited, a company incorporated in the British Virgin Islands and owned as to 50% by VPI and 50% by the First Vendor
"Leading Technology Group"	Leading Technology and its subsidiaries
"Listing Determination"	the determination of the underwritten price of the shares of the LTH Listing Vehicle for the purposes of the LTH Listing
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"LTH Listing"	the listing of the shares of the LTH Listing Vehicle on any recognised stock exchange, including the Growth Enterprise Market of the Stock Exchange
"LTH Listing Vehicle"	any direct or indirect holding company of Leading Technology or any other company which holds substantially all the businesses and/or assets of the Leading Technology Group to be established pursuant to a corporate reorganisation for the sole purpose of the LTH Listing
"LTH Option"	the call option granted by the First Vendor to VPI giving VPI the right to acquire the LTH Option Shares from the First Vendor
"LTH Option Shares"	the 50 ordinary shares in the capital of Leading Technology directly held by the First Vendor (representing 50% of the entire issued share capital of Leading Technology as at the date of this announcement); or the shares of the LTH Listing Vehicle representing the same effective interest as such shares of Leading Technology
"Master Portrait"	Master Portrait Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Paliburg
"Mr. Lo"	Mr. Lo Yuk Sui, the chairman of the boards of directors of Century City, Paliburg and Regal

"Ms. Lo"	Ms. Lo Po Man, a director of certain subsidiaries of Regal and the daughter of Mr. Lo	"Second Vendor"	Select Wise Holdings Limited, a company controlled by Ms. Lo
"New VPI Investors"	any person and/or corporation who/which will take up new Paliburg Convertible Preference Shares through the First Vendor under the VPI Placing and the Paliburg Acquisition	"Series A Bonds"	new bonds to be issued by the Issuing SPCs to the Existing Bondholders on Bonds Settlement Closing in respect of the interests in, among other things, the entire issued share capitals of Soaring Star and Master Portrait
"Nice Tex"	Nice Tex Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Paliburg	"Series B Bonds"	Series B1 Bonds and Series B2 Bonds
"Paliburg"	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and the ordinary shares of which are listed on the Stock Exchange	"Series B1 Bonds"	new bonds to be issued by the Issuing SPCs to the Existing Bondholders on Bonds Settlement Closing in respect of the Subject Regal Shares under the Settlement Proposal at an aggregate principal value of HK\$250 million
"Paliburg Accumulated Losses"	the entire balance in the accumulated loss account of Paliburg as at the effective date of the Paliburg Capital Reorganisation	"Series B2 Bonds"	new bonds to be issued by the Issuing SPCs to holders of the Series B1 Bonds pursuant to the terms thereunder
"Paliburg Acquisition"	the proposed acquisition of the entire issued share capital of VPI from the VPI Shareholders by Paliburg	"Settlement Proposal"	a restructuring and settlement proposal in respect of the Existing Bonds, involving, among other things, the cancellation of the Existing Bonds, the Property Transfer and the phased release of the SPC Regal Shares to the Existing Bondholders
"Paliburg Acquisition Agreement"	the conditional sale and purchase agreement dated 2nd August, 2002 entered into between Paliburg and the Vendors in respect of the Paliburg Acquisition	"Shareholder's Loan"	shareholder's loan from PDL to Chest Gain (the principal amount of which is estimated to be approximately HK\$1,503 million) together with all interest accrued thereon outstanding as at the date of completion of the Stanley Transfer
"Paliburg Capital Redemption Reserve Account"	the capital redemption reserve account of Paliburg as at the effective date of the Paliburg Capital Reorganisation	"Share Swap"	the transactions contemplated under the Share Swap Agreement together with the possible acquisition of the Exchangeable Preference Shares by Century City pursuant to the Rights to Call and/or the Rights to Put
"Paliburg Capital Reduction"	the proposed adjustment of nominal value of each issued Paliburg Ordinary Share from HK\$1.00 to HK\$0.01 and the reduction of paid-up capital of HK\$0.99 in respect of each issued Paliburg Ordinary Share	"Share Swap Agreement"	the conditional agreement dated 2nd August, 2002 entered into between Century City, the Vendors and Paliburg Shares SPC regarding, among other things, (i) the issue of the Exchangeable Preference Shares by the Paliburg Shares SPC to the Vendors and certain New VPI Investors for the acquisition of Paliburg Convertible Preference Shares from them and (ii) the transfer of the entire issued ordinary share capital of the Paliburg Shares SPC from the First Vendor to Century City
"Paliburg Capital Reorganisation"	the Paliburg Capital Reduction and the cancellation and transfer of the amounts standing to the credits of the Paliburg Share Premium Account and the Paliburg Capital Redemption Reserve Account to the Paliburg Accumulated Losses and/or the Paliburg Contributed Surplus Account	"Significant Equity Issue(s)"	the Equity Issues by Regal which take place before the date falling 9 months after Bonds Settlement Closing (or such later date as may be approved by the holders of the Series B Bonds) and which, when aggregated with the number of Regal Ordinary Shares issued by Regal since 9th November, 2001, results in an aggregate issue of 1,200,000,000 Regal Ordinary Shares of which at least 600,000,000 were offered to or made available for subscription by persons other than members of the Paliburg Group, Mr Lo and his associates
"Paliburg Contributed Surplus Account"	the contributed surplus account of Paliburg as at the effective date of the Paliburg Capital Reorganisation	"Soaring Star"	Soaring Star Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Paliburg
"Paliburg Convertible Preference Share(s)"	convertible non-voting preference share(s) of par value HK\$0.10 each in the share capital of Paliburg to be issued by Paliburg to the VPI Shareholders under the Paliburg Acquisition	"SPC Regal Shares"	the Regal Ordinary Shares held by the Regal Shares SPC from time to time under the Settlement Proposal and includes any other property which may be held by the Regal Shares SPC as a result of its holdings in the Regal Ordinary Shares pursuant to the Subject Regal Share Agreement
"Paliburg Group"	Paliburg and its subsidiaries and associated companies (excluding the Regal Group)	"Standstill Agreement"	the standstill agreement entered into between Paliburg and certain major holders of the Convertible Bonds on 26th April, 2002
"Paliburg Ordinary Share(s)"	ordinary share(s) of par value HK\$1.00 each in the capital of Paliburg or in other nominal value after the relevant capital reduction of Paliburg	"Standstill Security"	the first fixed charges over, among other things, the entire issued share capitals of Soaring Star and Master Portrait in favour of the Existing Bondholders together with other security provided by the Paliburg Group in consideration of certain major holders of the Convertible Bonds entering into the Standstill Agreement
"Paliburg Share Premium Account"	the share premium account of Paliburg as at the effective date of the Paliburg Capital Reorganisation	"Stanley Project"	the luxury residential property development project located at Rural Building Lot No. 1138, Wong Ma Kok Road, Stanley, Hong Kong
"Paliburg Shares SPC"	Almighty International Limited, being a special purpose vehicle set up by the First Vendor for holding the Paliburg Convertible Preference Shares to be issued to the Vendors and certain New VPI Investors under the Paliburg Acquisition as set out in the sub-section headed "The Share Swap Agreement" above	"Stanley Transfer"	the transfer from the Paliburg Group to Regal of the entire issued share capital of Nice Tex, which in turn effectively owns a 40% interest in Chest Gain, and the assignment of the Paliburg Group's interest in the Shareholder's Loan pursuant to the Stanley Transfer Agreement
"PDBVI"	Paliburg Development BVI Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Paliburg	"Stanley Transfer Agreement"	the conditional sale and purchase agreement dated 2nd August, 2002 entered into between Paliburg, PDBVI and Regal in respect of, among other things, the Stanley Transfer
"PDL"	Paliburg Development Finance Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Paliburg	"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"PFCBL"	Paliburg Finance (C.B. 2002) Limited, a company incorporated in the British Virgin Islands which is and, until Bonds Settlement Closing, will be an indirectly wholly-owned subsidiary of Paliburg	"Subject Regal Shares"	the approximately 1.896.5 million Regal Ordinary Shares to be held by the Regal Shares SPC pursuant to, and upon, Bonds Settlement Closing
"PIFL"	Paliburg International Finance Limited, a company incorporated in the British Virgin Islands which is and, until Bonds Settlement Closing, will be an indirectly wholly-owned subsidiary of Paliburg	"Subject Regal Share Agreement"	the agreement to be entered into between, inter alios, Paliburg, the Regal Shares SPC and the Issuing SPCs, which will contain provisions for, among other things, the delivery of the SPC Regal Shares by the Regal Shares SPC to facilitate the exchange of the Series B Bonds into such Regal Ordinary Shares
"Property Transfer"	the proposed transfer, among other things, of the entire issued share capitals of Soaring Star and Master Portrait to a company jointly owned by the Issuing SPCs	"Third Vendor"	Splendid All Holdings Limited, the ultimate beneficial owner of which is not a connected person (as defined under the Listing Rules) of Paliburg or Century City, and the entire issued share capital of which is held on trust by Mr. Lo who is also a director of this company as at the date of this announcement
"Regal"	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability and the ordinary shares of which are listed on the Stock Exchange	"Vendors"	the First Vendor, the Second Vendor and the Third Vendor
"Regal Accumulated Losses"	the entire balance in the accumulated loss account of Regal as at the effective date of the Regal Capital Reorganisation	"VPI"	Venture Perfect Investments Limited, a company incorporated in the British Virgin Islands
"Regal Capital Redemption Reserve Account"	the capital redemption reserve account of Regal as at the effective date of the Regal Capital Reorganisation	"VPI Group"	VPI and its subsidiaries and associated companies
"Regal Capital Reduction"	the proposed adjustment of nominal value of each issued Regal Ordinary Share from HK\$0.10 to HK\$0.01 and the reduction of paid-up capital of HK\$0.09 in respect of each issued Regal Ordinary Share	"VPI Placing"	the possible placing of new shares of VPI before completion of the Paliburg Acquisition through the First Vendor, and upon completion of the VPI Placing and the Paliburg Acquisition, the First Vendor will transfer the relevant Paliburg Convertible Preference Shares to the New VPI Investors
"Regal Capital Reorganisation"	the Regal Capital Reduction and the cancellation and transfer of the amounts standing to the credits of the Regal Share Premium Account and the Regal Capital Redemption Reserve Account to the Regal Accumulated Losses and/or Regal Contributed Surplus Account	"VPI Shareholders"	the Vendors and the New VPI Investors (if any)
"Regal Contributed Surplus Account"	the contributed surplus account of Regal as at the effective date of the Regal Capital Reorganisation	"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Regal Convertible Preference Share(s)"	5/4 convertible cumulative redeemable preference share(s) of par value US\$10 each in the share capital of Regal	"US\$"	United States dollars, the lawful currency of the United States of America
"Regal Group"	Regal and its subsidiaries and associated companies		
"Regal Ordinary Share(s)"	ordinary share(s) of par value HK\$0.10 each in the share capital of Regal or in other nominal value after the relevant capital reduction of Regal		
"Regal Share Premium Account"	the share premium account of Regal related to both Regal Ordinary Shares and Regal Convertible Preference Shares as at the effective date of the Regal Capital Reorganisation		
"Regal Shares SPC"	a special purpose company to be set up by the Paliburg Group prior to Bonds Settlement Closing, which will be indirectly wholly-owned by Paliburg, for the purpose of holding, among other things, certain number of Regal Ordinary Shares after Bonds Settlement Closing		
"Right(s) to Call"	the right(s) to be granted to Century City in relation to the Series A Exchangeable Preference Shares pursuant to which Century City can require the holders of the Series A Exchangeable Preference Shares to sell all or part of their Series A Exchangeable Preference Shares held by them (or their nominees) to Century City	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
"Right(s) to Put"	the right(s) under both Series A and Series B Exchangeable Preference Shares pursuant to which the holders have the right to require Century City to acquire all or part of their Exchangeable Preference Shares held by them (or their nominees)		By Order of the Board Regal Hotels International Holdings Limited Eliza Lam Sau Fun Secretary

Hong Kong, 2nd August, 2002

*The directors of Century City, Paliburg and Regal jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement herein misleading.*