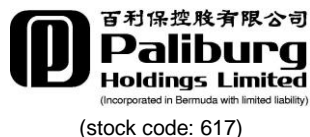


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## **MEMORANDUM OF UNDERSTANDING IN RELATION TO CALL OPTIONS FOR SALE AND PURCHASE OF HOTELS**

This joint announcement is made pursuant to Rule 13.09 of the Listing Rules.

The respective boards of directors of Century City, Paliburg and Regal Hotels are pleased to announce that on 11 January 2013, the Grantor, being a company held as to 50% by a wholly-owned subsidiary of Paliburg and as to 50% by a wholly-owned subsidiary of Regal Hotels, and the Grantee, being a wholly-owned subsidiary of Regal Hotels and in its capacity as manager of Regal REIT, entered into a memorandum of understanding in connection with:

- (i) the proposed grant of a call option by the Grantor to the Grantee, entitling Regal REIT (or its trustee or nominee) to, in its sole discretion, acquire 100% of the issued share capital of and shareholder loans to Plentiful Investments Limited, a company incorporated in the British Virgin Islands that, indirectly through its wholly-owned subsidiary, will own the Sheung Wan Hotel, upon completion of the hotel's development; and
- (ii) the proposed grant of a call option by the Grantor to the Grantee, entitling Regal REIT (or its trustee or nominee) to, in its sole discretion, acquire 100% of the issued share capital of and shareholder loans to Fortune Mine Limited, a company incorporated in the British Virgin Islands that, indirectly through its wholly-owned subsidiary, will own the North Point Hotel, upon completion of the hotel's development.

Each Call Option may only be exercised during the period commencing from the date that the occupation permit for the relevant Hotel is granted (as notified by the Grantor to the Grantee) and ending 30 days from such date. The Sheung Wan Hotel and the North Point Hotel are expected to be completed (as evidenced by the issuance of an occupation permit) around August 2013 and March 2014, respectively.

The initial exercise price of a Call Option will be equal to the latest appraised value for the relevant Hotel prior to the grant of the Call Option. The latest appraised values of the Hotels will be assessed by an independent property valuer to be jointly appointed by the Grantor and the Grantee, in accordance with the REIT Code and within three months of the relevant Regal REIT unitholder circular, on an as-completed basis. An updated valuation (by the same independent property valuer to be jointly appointed by the Grantor and the Grantee) will be conducted as of the last month end date before the grant of the relevant occupation permit. If the updated appraised value is lower than the initial appraised value, the exercise price will be adjusted to the updated appraised value. If the updated appraised value is higher than the initial appraised value, the exercise price will be

adjusted to the average of the initial and updated appraised values.

In respect of the Call Options, the Grantee will pay the Grantor: (a) an option fee of HK\$10 million per Call Option which is only refundable in the circumstances as set out in Section A (Option Fee) below; and (b) a refundable cash collateral equal to HK\$800 million per Call Option. The Refundable Cash Collateral will accrue interest income for Regal REIT at the higher of: (a) 4.25% per annum, which is the coupon interest rate of the notes due 2017 issued by Regal Hotels pursuant to its medium term note programme; and (b) the coupon interest rate of the tranche of notes to be issued by Regal REIT pursuant to its medium term note programme for the purposes of financing, among other things, the payment of the Refundable Cash Collateral. The Refundable Cash Collateral for each Call Option will be refundable with accrued interest for Regal REIT upon the earlier of: (i) the expiry or termination of the relevant Call Option; and (ii) the date that the acquisition of the relevant Hotel completes.

A Call Option will expire and terminate (unless otherwise mutually agreed) if: (a) the updated appraised value for the relevant Hotel is greater than HK\$2,000 million or lower than HK\$1,300 million; (b) the occupation permit for the relevant Hotel is not obtained by the relevant Long Stop Date; or (c) the relevant Call Option is not exercised within the Option Period.

Concurrently with the exercise of a Call Option, the Grantor or its affiliate will enter into a Master Lease. Each Master Lease will be for a term of five years, which may be extended for a further five years at the sole discretion of the lessor, being the relevant owner of each of the Hotels, commencing from the date that the relevant Hotel acquisition completes, unless terminated earlier by the lessor with six months' notice. The rent payable under each Master Lease will be on a fixed basis. Rent for the first three years will be 5.00% (year 1), 5.25% (year 2) and 5.50% (year 3) of the final exercise price, while rent for the remaining two years of the original term, as well as the rent for the five-year extension, will be based on independent market rental review.

For further details regarding the terms and conditions of the Call Options and the characteristics of the Hotels, please refer to Section A below headed "Memorandum of Understanding".

**The MOU is not legally binding except for those provisions in respect of exclusivity, confidentiality and governing law. The MOU may or may not lead to the entering into of the Option Agreements and the grant or acceptance of the Call Options may or may not proceed. Holders of securities and potential investors of Century City, Paliburg and Regal Hotels should note that the grant of the Call Options are subject to, among other things, the entering into of the Option Agreements, the terms of which are still currently in the process of negotiations and are yet to be determined and finalised by the parties. The exercise of the Call Options is also subject to and conditional upon such conditions as may be agreed by the parties to the Option Agreements. Also, as the terms and conditions of the Option Agreements are still being negotiated, they may differ from the terms and conditions of the MOU. Holders of the securities and potential investors of Century City, Paliburg and Regal Hotels are advised to exercise caution when dealing in the securities of Century City, Paliburg and Regal Hotels.**

The Option Agreements and the transactions contemplated therein, if materialise, may constitute notifiable and/or connected transaction(s) for each of Century City, Paliburg and Regal Hotels subject to the applicable requirements under the Listing Rules. Further announcement(s) will be made by Century City, Paliburg and Regal Hotels in accordance with all applicable requirements of the Listing Rules as and when appropriate, including at the time the Option Agreements are entered into or, if no Option Agreements are entered into by 28 February 2013, on such date to inform the holders of securities of Century City, Paliburg and Regal Hotels of the status of negotiations.

This joint announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

**A. MEMORANDUM OF UNDERSTANDING**

The respective boards of directors of Century City International Holdings Limited (“**Century City**”), Paliburg Holdings Limited (“**Paliburg**”) and Regal Hotels International Holdings Limited (“**Regal Hotels**”) are pleased to announce that on 11 January 2013, P&R Holdings Limited (the “**Grantor**”), a company held as to 50% by a wholly-owned subsidiary of Paliburg and as to 50% by a wholly-owned subsidiary of Regal Hotels, and Regal Portfolio Management Limited (the “**Grantee**”), a wholly-owned subsidiary of Regal Hotels and in its capacity as manager of Regal Real Estate Investment Trust (“**Regal REIT**”), entered into a memorandum of understanding (“**MOU**”) in connection with:

- (i) the proposed grant of a call option (the “**Sheung Wan Hotel Option**”) by the Grantor to the Grantee, entitling Regal REIT (or its trustee or nominee) to, in its sole discretion, acquire 100% of the issued share capital of and shareholder loans to Plentiful Investments Limited (the “**SW Target Company**”), a company incorporated in the British Virgin Islands that, indirectly through its wholly-owned subsidiary, will own a hotel located at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong (“**Sheung Wan Hotel**”), upon completion of the hotel's development; and
- (ii) the proposed grant of a call option (the “**North Point Hotel Option**”) by the Grantor to the Grantee, entitling Regal REIT (or its trustee or nominee) to, in its sole discretion, acquire 100% of the issued share capital of and shareholder loans to Fortune Mine Limited (the “**NP Target Company**”), a company incorporated in the British Virgin Islands that, indirectly through its wholly-owned subsidiary, will own a hotel located at Nos. 14-20 Merlin Street, North Point, Hong Kong (“**North Point Hotel**”), upon completion of the hotel's development.

The Sheung Wan Hotel and the North Point Hotel (the “**Hotels**”, or either one, the “**Hotel**”) are expected to be completed (as evidenced by the issuance of an occupation permit) around August 2013 and March 2014, respectively.

The MOU confirms the intention of the Grantor and the Grantee for the grant of the Sheung Wan Hotel Option and the North Point Hotel Option (the “**Call Options**”), in accordance with the following proposed terms and conditions that are subject to the negotiation and agreement of the terms of definitive option agreements in respect of the Call Options (the “**Option Agreements**”).

<b>Option Period</b>	<p>Each Call Option may only be exercised during the period commencing from the date that the occupation permit for the relevant Hotel is granted (as notified by the Grantor to the Grantee) and ending 30 days from such date (“<b>Option Period</b>”).</p> <p>The Grantee has the sole discretion to exercise one, both or neither of the Call Options during their respective Option Periods.</p>
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<p><b>Initial Exercise Price</b></p>	<p>The initial exercise price of a Call Option will be equal to the latest appraised value for the relevant Hotel prior to the grant of the Call Option.</p> <p>The latest appraised values of the Hotels will be assessed by an independent property valuer to be jointly appointed by the Grantor and the Grantee, in accordance with the Code on Real Estate Investment Trusts ("<b>REIT Code</b>") and within three months of the relevant Regal REIT unitholder circular, on an as-completed basis.</p> <p>The Grantee currently estimates the initial appraised value of each Hotel to be approximately HK\$1,600 million.</p>
<p><b>Exercise Price Adjustment</b></p>	<p>An updated valuation (by the same independent property valuer to be jointly appointed by the Grantor and the Grantee) will be conducted as of the last month end date before the grant of the relevant occupation permit.</p> <p><u>100% downward adjustment</u>: If the updated appraised value is lower than the initial appraised value, the exercise price will be adjusted to the updated appraised value.</p> <p><u>50% upward adjustment</u>: If the updated appraised value is higher than the initial appraised value, the exercise price will be adjusted to the average of the initial and updated appraised values.</p>
<p><b>Option Fee</b></p>	<p>Immediately after the relevant unitholder and shareholder approvals described below in "Conditions Precedent" have been obtained, the Grantee will pay the Grantor an option fee of HK\$10 million per Call Option ("<b>Option Fee</b>").</p> <p>The Option Fee shall only be refundable where:</p> <ul style="list-style-type: none"> <li>• the relevant occupation permit is not obtained by 31 December 2013 (in respect of the Sheung Wan Hotel Option) or 30 June 2014 (in respect of the North Point Hotel Option) ("<b>Long Stop Date</b>");</li> <li>• the Grantee is not satisfied with its due diligence in respect of the relevant Hotel (for example, the Hotel does not meet pre-agreed specifications); or</li> <li>• the Grantee has exercised the Call Option but completion of the acquisition of the relevant Hotel does not occur due to the fault of the Grantor.</li> </ul>

<p><b>Refundable Cash Collateral</b></p>	<p>Immediately after the relevant unitholder and shareholder approvals described below in "Conditions Precedent" have been obtained, the Grantee will pay the Grantor a refundable cash collateral equal to HK\$800 million per Call Option ("<b>Refundable Cash Collateral</b>"). The Refundable Cash Collateral will not be deposited into an escrow account, and may be used by the Grantor without restriction.</p> <p>The Refundable Cash Collateral will accrue interest income for Regal REIT at the higher of: (a) 4.25% per annum, which is the coupon interest rate of the notes due 2017 issued by Regal Hotels pursuant to its medium term note programme; and (b) the coupon interest rate of the tranche of notes to be issued by Regal REIT pursuant to its medium term note programme for the purposes of financing, among other things, the payment of the Refundable Cash Collateral.</p> <p>The Refundable Cash Collateral for each Call Option will be refundable with accrued interest for Regal REIT upon the earlier of: (i) the expiry or termination of the relevant Call Option; and (ii) the date that the acquisition of the relevant Hotel completes.</p>
<p><b>Expiry</b></p>	<p>A Call Option will expire and terminate (unless otherwise mutually agreed) if:</p> <ul style="list-style-type: none"> <li>• the updated appraised value for the relevant Hotel is greater than HK\$2,000 million or lower than HK\$1,300 million;</li> <li>• the occupation permit for the relevant Hotel is not obtained by the relevant Long Stop Date; or</li> <li>• the relevant Call Option is not exercised within the Option Period.</li> </ul>
<p><b>Guarantee</b></p>	<p>All obligations of the Grantor under the Call Options will be unconditionally and irrevocably guaranteed by Paliburg and Regal Hotels severally on a 50/50 basis.</p>
<p><b>Master Lease</b></p>	<p>Concurrently with the exercise of a Call Option, the Grantor or its affiliate will enter into a master lease for the relevant Hotel (the "<b>Master Lease</b>").</p> <p>Each Master Lease will be for a term of five years, which may be extended for a further five years at the sole discretion of the lessor, being the relevant owner of each of the Hotels, commencing from the date that the relevant Hotel acquisition completes, unless terminated earlier by the lessor with six months' notice.</p> <p>The rent payable under each Master Lease will be on a fixed basis. Rent for the first three years will be 5.00% (year 1), 5.25% (year 2) and 5.50% (year 3) of the final exercise price, while rent for the remaining two years of the original term, as well as the rent for the five-year extension, will be based on independent market rental review.</p>

<b>Conditions Precedent</b>	<p>The grant of the Call Options is conditional upon:</p> <ul style="list-style-type: none"> <li>• the passing of resolutions by the independent unitholders of Regal REIT to approve certain connected party transactions between the Grantor and the Grantee in respect of the Option Agreements and the consummation of the transactions contemplated therein (including the future exercise of the Call Options and the entering into of the sale and purchase agreements and the Master Leases);</li> <li>• if required, the approvals by the shareholders of Century City and Paliburg, and by the independent shareholders of Regal Hotels, in respect of the Option Agreements and the consummation of the transactions contemplated therein (including the future exercise of the Call Options by the Grantee and the entering into of the sale and purchase agreements and the Master Leases);</li> <li>• all necessary consents, approvals, waivers or authorisations required to be given by third parties (including governmental and regulatory authorities) having been obtained or granted, and being in full force and effect, at the time that the Call Options are granted and/or exercised (as applicable); and</li> <li>• any other conditions stated in the Option Agreements.</li> </ul>
<b>No Material Liabilities</b>	<p>The SW Target Company and NP Target Company shall not, at the time they are acquired by Regal REIT, have any material liabilities other than the shareholder loans that will also be acquired by Regal REIT. Further, the target companies shall, at the time they are acquired by Regal REIT, have no other operations other than the ownership of the Hotels.</p>
<b>Exclusivity Period</b>	<p>The Grantor agrees that it shall not negotiate, discuss, solicit or conclude any arrangement with any third party for the sale or disposal, whether conditional or otherwise, of all or part of its interests in the SW Target Company, the NP Target Company or in the Hotels for a period beginning from the date of the MOU and ending on 28 February 2013.</p>
<b>Due Diligence</b>	<p>Before exercising the Call Options, the Grantee shall be satisfied with the results of its due diligence in respect of the Hotels, including being satisfied that the acquisition of the Hotels will comply with REIT Code requirements.</p>

The table below summarises certain Hotel details and initial specifications to which they are to be developed (which are subject to change).

	<b>Sheung Wan Hotel</b>	<b>North Point Hotel</b>
Location	Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong	Nos. 14-20 Merlin Street, North Point, Hong Kong
Hotel standard / type	Regal iClub hotel standard	Regal iClub hotel standard
No. of guestrooms and suites	248	336
No. of storeys	34 storeys	32 storeys
Gross floor area	Approximately 7,197 sqm	Approximately 6,850 sqm
Covered floor area	Approximately 9,629 sqm	Approximately 9,395 sqm
Expected completion date	August 2013	March 2014

Regal REIT will also enter into hotel management agreements in respect of the Hotels, on terms to be agreed.

Regal REIT has expressed that it expects to finance the entirety of the Refundable Cash Collateral by using the net proceeds from the issuance of notes under Regal REIT's US\$1,000,000,000 medium term note programme ("**Regal REIT MTN Programme**"). For further details regarding this Regal REIT MTN Programme, please refer to Regal REIT's announcement dated 11 January 2013. Regal REIT has also expressed that it intends to finance the final exercise price of the Call Options through the refunded Refundable Cash Collateral (plus accrued interest for Regal REIT thereon), and depending on market conditions at such time, through bank loan facilities and/or the debt capital markets.

## **B. INFORMATION RELATING TO REGAL REIT AND THE GRANTEE**

Regal REIT is a 74.5%-owned subsidiary of Regal Hotels as at the date of this joint announcement.

Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the units of Regal REIT were first listed on the Stock Exchange on 30 March 2007. The principal activity of Regal REIT is to own and invest in income-producing hotels, hospitality-related properties and other commercial properties with the objectives of producing stable and growing distributions to the unitholders of Regal REIT and to achieve long-term growth in the net asset value per unit of Regal REIT.

The Grantee is a wholly-owned subsidiary of Regal Hotels and has entered into the MOU in its capacity as manager of Regal REIT.

### C. NON LEGALLY BINDING AGREEMENT

The MOU is not legally binding except for those provisions in respect of exclusivity, confidentiality and governing law. The MOU may or may not lead to the entering into of the Option Agreements and the grant or acceptance of the Call Options may or may not proceed. Holders of securities and potential investors of Century City, Paliburg and Regal Hotels should note that the grant of the Call Options are subject to, among other things, the entering into of the Option Agreements, the terms of which are still currently in the process of negotiations and are yet to be determined and finalised by the parties. The exercise of the Call Options is also subject to and conditional upon such conditions as may be agreed by the parties to the Option Agreements. Also, as the terms and conditions of the Option Agreements are still being negotiated, they may differ from the terms and conditions of the MOU. Holders of securities and potential investors of Century City, Paliburg and Regal Hotels are advised to exercise caution when dealing in the securities of Century City, Paliburg and Regal Hotels.

### D. GENERAL

The Option Agreements and the transactions contemplated therein, if materialise, may constitute notifiable and/or connected transaction(s) for each of Century City, Paliburg and Regal Hotels subject to the applicable requirements under the Listing Rules. The Grantor and the Grantee expect to agree on the Option Agreements by 28 February 2013. Further announcement(s) will be made by Century City, Paliburg and Regal Hotels in accordance with all applicable requirements of the Listing Rules as and when appropriate, including at the time the Option Agreements are entered into or, if no Option Agreements are entered into by 28 February 2013, on such date to inform the holders of securities of Century City, Paliburg and Regal Hotels of the status of negotiations.

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

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

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

Hong Kong, 11 January 2013

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

#### **Executive directors:**

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

#### **Independent non-executive directors:**

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



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

**Executive directors:**

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

**Independent non-executive directors:**

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

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

**Executive directors:**

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

**Non-executive director:**

Dr. Francis CHOI Chee Ming, GBS, JP  
*(Vice Chairman)*

**Independent non-executive directors:**

Ms. Alice KAN Lai Kuen  
Professor Japhet Sebastian LAW  
Mr. NG Siu Chan  
Mr. WONG Chi Keung