

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities nor is it calculated to invite any such offer or invitation.



**JOINT ANNOUNCEMENT**  
**VERY SUBSTANTIAL DISPOSAL IN RELATION TO**  
**THE PROPOSED SPIN-OFF OF**  
**REGAL REAL ESTATE INVESTMENT TRUST**  
**ON THE MAIN BOARD OF**  
**THE STOCK EXCHANGE OF HONG KONG LIMITED FOR**  
**REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED**  
**RULE 13.09 ANNOUNCEMENT FOR**  
**CENTURY CITY INTERNATIONAL HOLDINGS LIMITED AND**  
**PALIBURG HOLDINGS LIMITED**

**Financial Adviser to Regal Hotels International Holdings Limited**



**Merrill Lynch Far East Limited**

**Independent Financial Adviser to the Independent Board Committee**  
**and the Shareholders of Regal Hotels International Holdings Limited**



This announcement is jointly made by Regal pursuant to Rule 14.34 of the Listing Rules, and by Century City and Paliburg pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that formal applications have been made to the SFC for the Authorization and the Stock Exchange in respect of the Proposed Spin-off. The Proposed Spin-off will be effected by the Company in compliance with PN15 and the other relevant provisions of the Listing Rules, and will be subject to conditions as more particularly described below.

In connection with the Proposed Spin-off, the Group is proposing to implement the Restructuring which will involve a transfer to Regal REIT of the interest in Holding SPV, which (through the Lessors) will indirectly own the Initial Hotel Properties.

Regal REIT will be formed to become the indirect owner of the Initial Hotel Properties pursuant to the Proposed Spin-off. It is proposed that Units will be issued by Regal REIT pursuant to the Global Offering comprising an offer for subscription by way of public offer in Hong Kong and an international placement to professional, institutional and other investors. As part of the Global Offering, an assured entitlement to the Units will be provided to the Qualifying Shareholders by way of the Preferential Offering.

The Group will hold an interest of approximately 50% (assuming that the Over-allotment Option is not exercised) or approximately 45% (assuming that the Over-allotment Option is exercised in full) in Regal REIT upon completion of the Proposed Spin-off. The Proposed Spin-off will involve a disposal by the Company of its entire interest in Holding SPV to the Trustee on behalf of Regal REIT. The Proposed Spin-off will constitute a very substantial disposal for the Company under the Listing Rules, and will be subject to the approval of the Shareholders under Rule 14.49 of the Listing Rules and the requirements under PN15.

As far as the Directors are aware, the interests in relation to the Proposed Spin-off and other related matters of all Shareholders (including the Controlling Shareholders) are the same and the Controlling Shareholders, who are together interested in approximately 45.2% of the issued share capital of the Company, do not have any material interest in the Proposed Spin-off for the purpose of paragraph 3(e)(2) of PN15 and Rule 2.16 of the Listing Rules, hence all Shareholders are entitled to vote on the ordinary resolution at the SGM.

A circular including, among other information: (1) a letter from the Board containing further details of the Proposed Spin-off and other related matters; (2) recommendations of the Independent Board Committee to the Shareholders; (3) a letter from Platinum Securities, the independent financial adviser, containing its advice to the Independent Board Committee and the Shareholders in respect of the voting on the Proposed Spin-off and any related matter; and (4) a notice of the SGM, will be dispatched to the Shareholders on November 23, 2006.

**The Proposed Spin-off is subject to, among other things, the Listing Approval being granted by the Listing Committee. Accordingly, Shareholders should note that the Proposed Spin-off is dependent on a number of factors and subject to a number of conditions, which may or may not be satisfied. Thus, there can be no assurance that the Proposed Spin-off will proceed. Accordingly, Shareholders or other potential investors are reminded to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers.**

#### INTRODUCTION

The Board is pleased to announce that a formal application has been made to the SFC for the Authorization and an application has been made to the Stock Exchange for the Proposed Spin-off. The Proposed Spin-off will be effected by the Company in compliance with PN15 and the other relevant provisions of the Listing Rules, and will be subject to conditions as more particularly described below. Regal REIT intends to make a Global Offering of the Units, comprising the Hong Kong Public Offering and the International Offering (including the Preferential Offering).

The Directors confirm that the proposal in respect of the Proposed Spin-off has been submitted to and approved by the Stock Exchange in accordance with PN15. The Stock Exchange considered that the Remaining Regal Group was not able to meet the minimum profit requirement of Rule 8.05(1)(a) of the Listing Rules. In this connection, a waiver from the strict compliance with paragraph 3(c) of PN15 has been applied for and granted by the Stock Exchange, subject to certain conditions contained therein.

#### BACKGROUND

The Group is principally engaged in the business of hotel and property development, hotel ownership, hotel operation and management and other investments. In line with the international trend of separating ownership and operation of hotels to allow hotel owners to focus on capital enhancement and hotel acquisition opportunities, and hotel operators to focus on promoting brand name and management business, Regal REIT will be formed to become the owner of the Initial Hotel Properties pursuant to the Proposed Spin-off. The Remaining Regal Group will take up the lease of the Initial Hotel Properties from Regal REIT for the period from the Listing Date to December 31, 2015. Immediately after the Proposed Spin-off, the Remaining Regal Group will continue to be the hotel operator of the Initial Hotel Properties and other Regal hotels, in the manner as described in this announcement. Regal REIT will be managed by the REIT Manager, which is a wholly-owned subsidiary of the Group.

In connection with the Proposed Spin-off, the Group is proposing to implement the Restructuring which will involve a transfer to Regal REIT of the entire issued share capital of Holding SPV which (through the Lessors) will indirectly own the Initial Hotel Properties, as detailed in the paragraph headed "Restructuring" below.

It is proposed that new Units will be issued by Regal REIT pursuant to the Global Offering. As part of the Global Offering, Assured Entitlement will be provided to each Qualifying Shareholder by way of the Preferential Offering.

The Group will hold an interest of approximately 50% (assuming that the Over-allotment Option is not exercised) or approximately 45% (assuming that the Over-allotment Option is exercised in full) in Regal REIT upon completion of the Proposed Spin-off. The Proposed Spin-off will constitute a very substantial disposal for the Company under Rule 14.06 of the Listing Rules, which will be subject to the approval of the Shareholders under Rule 14.49 of the Listing Rules.

#### INFORMATION ON REGAL REIT

##### 1. Description of a REIT

A REIT is a collective investment scheme constituted as a unit trust that invests primarily in income-producing real estate assets and uses the income to provide returns to its unitholders. Purchasing a unit in a REIT allows investors to share the benefits and risks of owning the real estate assets held by the REIT. An investment in the units of a REIT in Hong Kong is governed primarily by the REIT Code.

##### 2. Objectives of Regal REIT

Regal REIT's primary objectives will be to provide stable distributions to Unitholders and to achieve long-term capital growth in net asset value per Unit by way of (1) internal growth through asset enhancement opportunities and operational improvements, (2) external growth through potential acquisitions that meet the REIT Manager's investment criteria and (3) financing through an appropriate capital structure.

##### 3. The REIT Manager

The REIT Manager is a wholly-owned subsidiary of Regal and was incorporated for the sole purpose of managing the assets of Regal REIT. Its main responsibility will be to manage the assets of Regal REIT for the benefit of Unitholders.

The REIT Manager will have general powers of management over the assets of Regal REIT including the Initial Hotel Properties. In particular, the REIT Manager will be responsible for monitoring the performance of the obligations of the Lessee under the Lease Agreements, the Hotel Manager under the Hotel Management Agreements, and the Finance Companies under the Financing Agreement. The REIT Manager will also be responsible for Regal REIT's investment and financing strategies and asset enhancement, acquisition and disposal policies.

The REIT Manager will be licensed by the SFC to conduct the regulated activity of asset management, as required by the REIT Code.

#### 4. Implementation of the REIT Manager's Strategy

The REIT Manager aims to maintain and grow an investment portfolio of hotel properties in Hong Kong and, when suitable opportunities arise, extend Regal REIT's investment portfolio to include other cities in Greater China, subject to obtaining necessary regulatory and Unitholders' approvals. The REIT Manager intends to achieve its objectives over time through the implementation of the following strategies:

- **Internal growth strategy:** The REIT Manager intends to engage in pro-active asset management in order to maintain and improve the quality and value of Regal REIT's hotel properties.
- **External growth strategy:** The REIT Manager intends to selectively acquire additional properties that meet its investment criteria.
- **Financing strategy:** The REIT Manager intends to employ an appropriate growth-oriented capital structure to maximize cash flow while maintaining flexibility in funding any future acquisition.

#### 5. Distribution policy

The REIT Manager's current policy is to distribute to Unitholders an amount equal to 100% of Regal REIT's Total Distributable Income (as defined below) for each financial year. Pursuant to the Trust Deed, Regal REIT will be required to distribute at least 90% of its Total Distributable Income for each financial year.

"Total Distributable Income" is the consolidated audited net profit after tax of Regal REIT and each company directly or indirectly owned by the Trustee on trust for and on behalf of Regal REIT for the relevant financial year adjusted for the Adjustments (as defined below). After making for the Adjustments, the Total Distributable Income may be different from the consolidated net profit recorded by Regal REIT for the relevant financial year.

"Adjustments" means:

- significant adjustments which are charged or credited to the income statement for the relevant financial year or the relevant Distribution Period (as the case may be), including: (i) unrealized property revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (ii) impairment loss of goodwill/recognition of negative goodwill; (iii) differences between cash and accounting finance costs; (iv) realized gains on the disposal of properties; (v) deferred tax charges/credits in respect of property valuation movements, fair value changes on financial instruments and commercial building allowances/capital allowances and other tax losses or other deductions claimed; (vi) the portion of the REIT Manager's Fees that is paid in the form of Units; (vii) costs of any public offering of Units that are expensed through profit and loss statement but are funded by proceeds from the issuance of such Units; (viii) differences between cash and accounting Rental Income in respect of the Lease Agreements entered into in relation to the Separate Listing; and (ix) other material non-cash gains/losses; and
- the deduction of any amount set aside on account of the FF&E Reserve.

The sources of distributions to Unitholders include: (1) net profit after tax generated by each Special Purpose Vehicle which the Special Purpose Vehicle pays to Regal REIT by way of dividend; and (2) distributions of capital which is facilitated by the Special Purpose Vehicles repaying loans to Regal REIT.

The REIT Manager's initial distribution policy is that two distributions will be made in respect of each year for the six month periods ending June 30 and December 31. Distributions will be paid within five months from the end of the relevant six month period.

The Remaining Regal Group will not be entitled to distributions in respect of the AEP Units subscribed by it until a certain time after the corresponding portion of the Asset Enhancement Program has been completed pursuant to the Distribution Deed. Please refer to paragraph 8 of the section headed "Proposed Spin-off and Separate Listing" below for further details of the Distribution Deed.

The Company will enter into the Distributable Income Guarantee Deed with the Trustee and the REIT Manager pursuant to which the Company will guarantee to pay the shortfall in the event that the Total Distributable Income from the Listing Date to December 31, 2007, in aggregate, is less than a sum to be set out in the Offering Circular which, subject to the final determination of the Listing Date, is expected to be in the range of HK\$570 million to HK\$590 million. Please refer to paragraph 7 of the section headed "The Group's Relationship with Regal REIT after the Proposed Spin-off" below for further details of the Distributable Income Guarantee Deed.

Distributions to Unitholders will be declared and paid in Hong Kong dollars. The REIT Manager may also adopt such rules as it considers appropriate for the reinvestment by Unitholders of any distributions to be made by Regal REIT in return for new Units but no Unitholder shall be obliged to receive Units in lieu of a cash distribution. It is understood that, under the Hong Kong Inland Revenue Department's current practice, no tax should be payable in Hong Kong in respect of distributions made by Regal REIT. Unitholders should seek advice from their own professional advisers as to their tax position.

Regal REIT's ability to make distributions is dependent on (among other things) the Trustee having available sufficient cash in Regal REIT to make the payments required. The REIT Code requires the REIT Manager and the Trustee to ensure that each company used to hold real estate and other assets for Regal REIT for the time being shall distribute to Regal REIT all of such company's income for each financial year as permitted by the laws and regulations of its relevant jurisdiction of incorporation.

#### PROPOSED SPIN-OFF AND SEPARATE LISTING

##### 1. The Proposed Spin-off

The Proposed Spin-off will comprise the Global Offering and the Separate Listing. The Global Offering will comprise an offer for subscription by way of public offer in Hong Kong and an international placement to professional, institutional and other investors. As part of the Global Offering, there will be a Preferential Offering to the Qualifying Shareholders.

The Proposed Spin-off is conditional upon, among other things, (a) the Authorization of the SFC under the REIT Code and (b) the approval of the Stock Exchange for the listing of, and permission to deal in, all the Units on the Stock Exchange. If such conditions are not fulfilled, the Proposed Spin-off will not be implemented. Please refer to paragraph 10 of this section for further details of the conditions of the Proposed Spin-off.

Immediately following the completion of the Proposed Spin-off, it is expected that the Company will hold an interest of approximately 50% (assuming that the Over-allotment Option is not exercised) or approximately 45% (assuming that the Over-allotment Option is exercised in full) in Regal REIT.

##### 2. Separate Listing of the Units

The listing of the Units on the Main Board is conditional upon the fulfillment of the conditions stated in paragraph 10 headed "Conditions" below in this section.

An application has been made to the SFC for the Authorization and an application has been made to the Stock Exchange for the listing of, and permission to deal in, the Units (including any Unit to be sold upon the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange.

Subject to the granting of the Authorization and the Listing Approval, and the compliance with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as may be determined by HKSCC. 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.

The Shares will continue to be listed on the Stock Exchange after the implementation of the Proposed Spin-off.

##### 3. Regal REIT's Business and the Initial Hotel Properties

Regal REIT will be formed to own an investment portfolio of hotel properties initially in Hong Kong. Upon the completion of the Global Offering, Regal REIT will own the Initial Hotel Properties as described below. The Initial Hotel Properties are strategically located across different districts in Hong Kong and currently have an aggregate of 3,348 rooms and over 30 food and beverage outlets.

The following table sets forth certain information in relation to the Initial Hotel Properties as at the date of this announcement (unless otherwise provided):

| Initial Hotel Property | Location                        | HKTB Rating <sup>(1)</sup> | Opening Year | Number of Rooms            | Number of Stories                                  | Gross Floor Area <sup>(5)</sup> (sq.ft.) | Covered Floor Area <sup>(6)</sup> (sq.ft.) | Capital Values as at September 30, 2006 <sup>(7)</sup> |
|------------------------|---------------------------------|----------------------------|--------------|----------------------------|--|--|--|--|
| Regal Airport Hotel    | Hong Kong International Airport | High Tariff B              | 1999         | 1,104                      | 14 (including one basement floor)                  | 774,445                                  | 897,034                                    | 5,720,000,000  |
| Regal Hongkong Hotel   | Causeway Bay                    | High Tariff A              | 1993         | 424                        | 37 (including four basement floors) <sup>(2)</sup> | 215,736                                  | 320,417                                    | 2,960,000,000  |
| Regal Kowloon Hotel    | Tsimshatsui                     | High Tariff A              | 1982         | 600                        | 20 (including four basement floors)                | 341,714                                  | 468,355                                    | 3,190,000,000  |
| Regal Oriental Hotel   | Kowloon City                    | High Tariff B              | 1982         | 390                        | 17 (including two basement floors)                 | 243,167 <sup>(3)</sup>                   | 294,154 <sup>(3)</sup>                     | 1,240,000,000  |
| Regal Riverside Hotel  | Shatin                          | High Tariff B              | 1986         | 830                        | 17 (including two basement floors) <sup>(2)</sup>  | 519,046                                  | 662,123                                    | 2,960,000,000  |
| <b>Total</b>           |                                 |                            |              | <b>3,348<sup>(4)</sup></b> |  | <b>2,094,108</b>                         | <b>2,642,083</b>                           | <b>16,070,000,000</b>                                  |

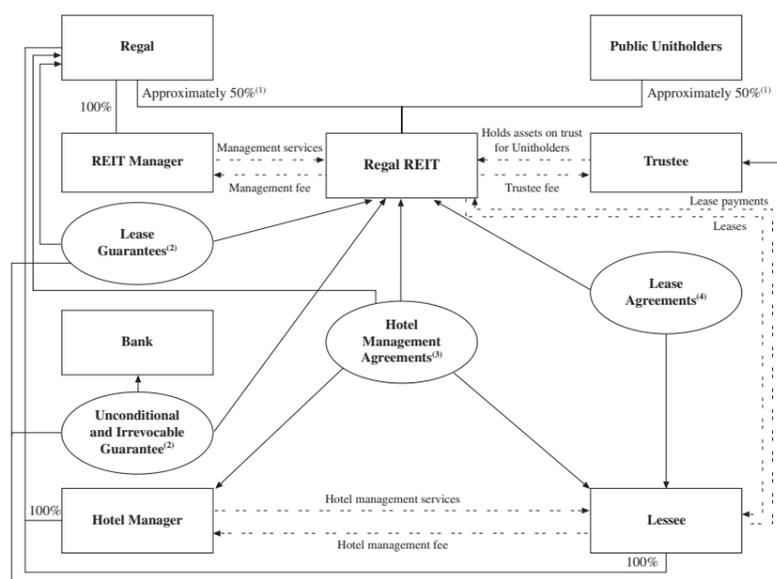
Notes:

- The Hong Kong Tourism Board classifies hotels into four categories, namely, High Tariff A, High Tariff B, Medium Tariff and Unclassified, based on facilities, location, staff to room ratio, achieved room rate and business mix of the hotels. In 2005, the average room rates of High Tariff A, High Tariff B and Medium Tariff hotels were HK\$1,611, HK\$732 and HK\$460, respectively.
- The number of stories of Regal Hongkong Hotel and Regal Riverside Hotel will increase to 39 and 20, respectively, after completion of the Asset Enhancement Program.
- The gross floor area includes 14,200 sq. ft. of Po Sing Court used as back-of-the-house area for Regal Oriental Hotel, which is owned by Gala Hotels Limited and represents 41 equal undivided shares out of a total of 180 shares. Po Sing Court is a building adjacent to Regal Oriental Hotel.
- Includes 12 house-use rooms (e.g. rooms for general managers of the hotels).
- The gross floor area has the meaning ascribed to it under the Building (Planning) Regulations. After completion of all the Asset Enhancement Programs, the gross floor area would increase to 2,269,120 sq. ft..
- The covered floor area means all floor area covered by the roofs of the property including gross floor area, and any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or similar services, and any area (above or below the level of the ground) which is exempted from the gross floor area calculation by the Building Authority but excluding bay window area. After completion of all the Asset Enhancement Programs, the covered floor area would increase to 2,747,042 sq. ft..
- Valued by CB Richard Ellis, the Independent Property Valuer, after taken into account the benefits of the Asset Enhancement Program with the relevant costs being excluded. Please refer to the valuation report in respect of the Initial Hotel Properties as at September 30, 2006 prepared by the Independent Property Valuer to be set out in the Circular for further details.

The Initial Hotel Properties will be leased to the Lessee, a wholly-owned subsidiary of Regal, pursuant to the Lease Agreements with a term which expires on December 31, 2015. The rents payable for the period from the Listing Date to December 31, 2010 consist of escalating Base Rents and Variable Rents. A rent review by a jointly appointed independent professional property valuer will take place in each of the years from 2010 to 2014 to determine the market rental package for the relevant year from 2011 to 2015. Please refer to paragraph 2 of the section headed "The Group's Relationship with Regal REIT after the Proposed Spin-off" below for further details of the Lease Agreements.

Regal will undertake to complete the Asset Enhancement Program at its own and full cost including any cost overruns and land premium that is required to be paid (which is applicable only in relation to Regal Riverside Hotel), whereby no less than 468 rooms are expected to be added to the Initial Hotel Properties, in stages, by the fourth quarter of 2008. The Remaining Regal Group will not be entitled to distributions in respect of its relevant AEP Units until a certain time after the corresponding portion of the Asset Enhancement Program is completed.

The following simplified diagram provides a general overview of the ownership structure of Regal REIT and the primary structural and contractual relationships among Regal REIT, the public Unitholders, the REIT Manager, the Trustee, the Lessee, the Hotel Manager and Regal, upon completion of the Global Offering.



— Equity interest  
 - - - Payments and services pursuant to contractual relationships under Trust Deed, Lease Agreements and Hotel Management Agreement  
 → Contractual relationships under Trust Deed, Lease Agreements, Hotel Management Agreements, Lease Guarantees, and Unconditional and Irrevocable Guarantee

Notes:

- Assuming the Over-allotment Option is not exercised.
- Regal will guarantee to pay all amounts from time to time owing or payable by the Lessee to the Lessors under the Lease Agreements. In addition, Regal will procure an unconditional and irrevocable bank guarantee for HK\$1 billion until June 30, 2011 in favour of the Lessors and the Trustee. For further details, please refer to paragraph 3 of the section headed "The Group's Relationship with Regal REIT after the Proposed Spin-off" below.
- Regal REIT (through Holding SPV and the Lessors) will enter into separate Hotel Management Agreements with the Lessee, the Hotel Manager and Regal. For further details, please refer to paragraph 4 of the section headed "The Group's Relationship with Regal REIT after the Proposed Spin-off" below.
- Regal REIT (through the Lessors) will enter into separate Lease Agreements with the Lessee. For further details, please refer to paragraph 2 of the section headed "The Group's Relationship with Regal REIT after the Proposed Spin-off" below.

#### 4. Delineation of businesses between the Remaining Regal Group and Regal REIT

The Group is principally engaged in the business of hotel and property development, hotel ownership, hotel operation and management, other investments and, following the Proposed Spin-off, REIT management services.

After the Proposed Spin-off, there will be a clear delineation of businesses between the Remaining Regal Group and Regal REIT. The Remaining Regal Group will focus on the Remaining Businesses and Regal REIT will focus on the Regal REIT Business as are more particularly described below:

| Remaining Businesses of Remaining Regal Group   | Regal REIT Business   |
|---|---|
| <ul style="list-style-type: none"> <li>Hotel operation and management</li> <li>Hotel and property development</li> <li>Other investments</li> <li>REIT management services</li> </ul> | <ul style="list-style-type: none"> <li>Hotel properties ownership, including portfolio management such as asset enhancements, and hotel acquisitions and disposals</li> </ul> |

The major assets and operations of each of the Remaining Regal Group and Regal REIT immediately after the Proposed Spin-off are more particularly described in the table below:

| Remaining Regal Group  | Regal REIT  |
|--|---|
| <ul style="list-style-type: none"> <li>Operating and managing the Initial Hotel Properties pursuant to the Lease Agreements and the Hotel Management Agreements</li> <li>Apart from the Initial Hotel Properties, managing the two Regal hotels in Shanghai</li> <li>Holding a 70% equity interest in a jointly controlled entity which holds 100% interest in Regalia Bay, a luxury residential development project in Stanley, Hong Kong</li> <li>Developing, through a 50%-owned associated company which in turn holds a 59% interest in an investee company, a site in the Central Business District of Beijing (comprising office, residential, hotel, commercial properties and car parking spaces)</li> <li>Through the REIT Manager, providing management services to Regal REIT</li> </ul> | <ul style="list-style-type: none"> <li>Owning and leasing the Initial Hotel Properties</li> </ul> |

Immediately after the transfer of the Initial Hotel Properties to Regal REIT and the Proposed Spin-off:

- the Remaining Regal Group will not own any hotel property in Hong Kong but will continue to be engaged in hotel and property development, hotel operation and management and other investments; and
- Regal REIT will not invest in vacant land, engage or participate in property development activities not allowed under the REIT Code, or acquire properties which do not fit into its investment strategy.

#### 5. Reasons for and benefits of the Proposed Spin-off

The Directors believe that the Proposed Spin-off will bring about a number of benefits to both Regal and Regal REIT including the following:

- The delineation of the respective businesses carried on by each of the Remaining Regal Group and Regal REIT is expected to allow better business focus regarding their respective operational and financial performance. Specifically, Regal REIT will focus on capital enhancement and hotel acquisition opportunities while the Remaining Regal Group will focus on promoting brand name and management as well as hotel and property development businesses.
- After the Proposed Spin-off, the Remaining Regal Group and Regal REIT will adopt different business and growth strategies, offering the Shareholders and other investors the opportunity and flexibility for investment in both the Remaining Regal Group and Regal REIT or either of them.
- The Proposed Spin-off will allow Regal REIT to establish its own profile as a separate listed entity and will provide separate capital-raising platforms for the Remaining Regal Group and Regal REIT with respect to the growth of their respective future businesses and operations.
- The estimated consideration under the Sale and Purchase Agreement for the disposal of the interest in Holding SPV, which indirectly owns the Initial Hotel Properties, to Regal REIT is expected to be not less than HK\$14 billion. Based on the aggregate carrying value of the Initial Hotel Properties as at June 30, 2006 of approximately HK\$4 billion, Regal is expected to derive a gain from the disposal of the Initial Hotel Properties of not less than HK\$4.6 billion (after elimination of the unrealized gain attributable to the 50% interest assumed to be held by the Remaining Regal Group in Regal REIT).
- The Shareholders will benefit from the enhancement in the net asset value of the Remaining Regal Group as a result of the Proposed Spin-off. Assuming a consideration for the disposal of the Initial Hotel Properties of not less than HK\$14 billion, the book net asset value of the Remaining Regal Group is expected to increase from approximately HK\$2 billion as at June 30, 2006 to not less than HK\$6 billion immediately after the Proposed Spin-off. In addition, immediately after the Proposed Spin-off and assuming that the Over-allotment Option is not exercised, the disposal of the Initial Hotel Properties will generate surplus cash proceeds of not less than HK\$4 billion after repayment of outstanding bank loans for the Remaining Regal Group's operations and new investment activities. For further details, please refer to the section headed "Financial Effects of the Proposed Spin-off" in this announcement.
- Based on the audited figures of Regal for the year ended December 31, 2005, the ratio of net debt to total assets of Regal was 63.1%. After applying part of the consideration to be received from the sale of the interest in Holding SPV, which indirectly owns the Initial Hotel Properties, under the Proposed Spin-off to repay its outstanding bank loans above, the Remaining Regal Group is expected to become free from bank debt immediately after the Proposed Spin-off.
- As the Remaining Regal Group intends to retain a holding of a significant interest in Regal REIT, it will continue to benefit from the business prospects of Regal REIT.

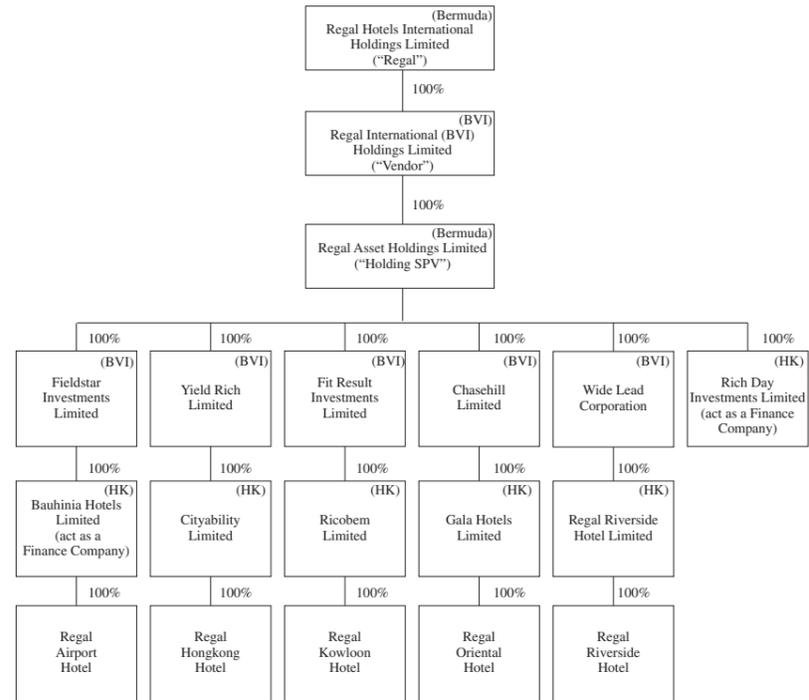
#### 6. Intended use of proceeds

Based on a minimum consideration of HK\$14 billion, Regal will apply part of the proceeds to be received from the Sale and Purchase Agreement in the amount of approximately HK\$4.8 billion for subscription of Units and an amount of approximately HK\$4.3 billion to repay its outstanding bank loans. The balance of not less than HK\$4 billion, after payment of the expenses associated with the Proposed Spin-off, will be retained for general working capital purposes.

#### 7. Effects of the Proposed Spin-off

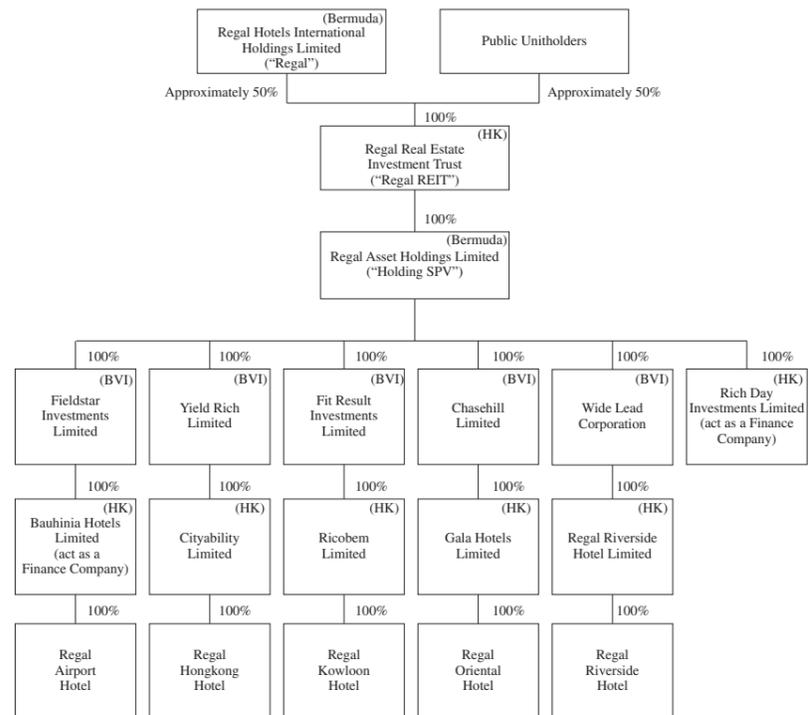
##### (a) Ownership structure of Regal REIT immediately after the Restructuring but prior to the Proposed Spin-off

The ownership structure of Regal REIT immediately after the Restructuring but prior to the Proposed Spin-off will be as follows:



##### (b) Ownership structure of Regal REIT upon completion of the Proposed Spin-off

The ownership structure of Regal REIT immediately following the completion of the Proposed Spin-off (assuming that the Over-allotment Option is not exercised) will be as follows:



##### (c) Profits tax

Regal REIT, as a collective investment scheme constituted as a unit and authorized under section 104 of the SFO, will be exempt from Hong Kong profits tax.

The respective direct owners of the Initial Hotel Properties will be subject to Hong Kong profits tax in respect of profits derived from leasing Initial Hotel Properties pursuant to the Lease Agreements or from operating the Initial Hotel Properties or from the letting of any real estate in Hong Kong, at the current rate of 17.5%. The respective direct owners of the Initial Hotel Properties will not be subject to Hong Kong profits tax on any capital gains derived from the disposal of the Initial Hotel Properties, provided the Initial Hotel Properties are not held for trading purposes as Hong Kong does not impose tax on capital gains.

Distributions made by Regal REIT to Unitholders will not be subject to any withholding tax in Hong Kong.

##### (d) Stamp duty

No Hong Kong stamp duty is payable by Regal REIT on the issue of new Units.

##### (e) General

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to tax implications of the holding or disposal of, or dealing in the Units. It is emphasised that none of the Company, its Directors or any other parties involved in the Proposed Spin-off accepts responsibility for any tax effects or liabilities of holders of the Units resulting from the holding or disposal of, or dealing in the Units.

#### 8. Distribution Deed

The Company and its wholly-owned subsidiary, Great Prestige Investments Limited, will enter into the Distribution Deed in favour of the Trustee and the REIT Manager, pursuant to which the Company and Great Prestige Investments Limited will jointly and severally agree to irrevocably waive any distribution entitlement for the relevant AEP Units in respect of the period from the Listing Date until a certain specified date(s) after the completion of the relevant Asset Enhancement Program project.

No adjustment to the number of AEP Units will be made to take into account of any new Units issued (including, but not limited to, Units issued pursuant to the Over-allotment Option), whether dilutive or not, prior to the cessation of the arrangements in relation to the AEP Units, as contemplated under the Distribution Deed.

In addition, each of the Company and Great Prestige Investments Limited will undertake that it shall not, and shall procure that its subsidiaries (if any) shall not among others dispose of any AEP Units or any direct or indirect interest therein (including, without limitation, by granting or creating any option, mortgage, pledge, charge or other security interest) during the aforesaid periods, without the prior written consent of the REIT Manager and the Trustee (at the direction of the REIT Manager), whether conditionally or unconditionally.

#### 9. Lock-up arrangement

In addition to the arrangements provided under the Distribution Deed as mentioned in paragraph 8 headed "Distribution Deed" above in this section, it is proposed that the Group will enter into a lock-up arrangement with the underwriters of the Global Offering for a period of 180 days from and including the Listing Date subject to certain exceptions.

#### 10. Conditions

The Proposed Spin-off will be conditional on, among other things, the following conditions under agreements to be entered into in connection with the Proposed Spin-off:

- (a) Shareholders passing an ordinary resolution by way of poll at the SGM to approve the Proposed Spin-off and other related matters;
- (b) the Listing Committee granting the Listing Approval;
- (c) the obligations of the underwriters under the underwriting agreements to be entered into between, among others, the Company, the REIT Manager and the underwriters in respect of the Global Offering becoming and remaining unconditional and the underwriting agreements not being terminated in accordance with their respective terms or otherwise, on or before the dates and times to be specified therein, details of which will be set out in the Offering Circular;
- (d) the conditions precedent to draw down of the term loan facility under the Financing Agreement being fulfilled or waived;
- (e) the receipt of the Authorization;
- (f) the Offer Price being duly determined;
- (g) the underwriters being satisfied with respect to completion of the subscription obligations under the Subscription Agreement; and
- (h) the Sale and Purchase Agreement becoming and remaining unconditional in accordance with its terms,

unless and to the extent any relevant condition is validly waived.

**If the foregoing and any other applicable conditions are not fulfilled or waived prior to the dates and times to be specified in the Offering Circular, the Global Offering will lapse and a notice will be published by the Company and/or Regal REIT as soon as practicable following such lapse.**

**The Proposed Spin-off is subject to the foregoing and other applicable conditions and is dependent on a number of factors (including, but without limitation, the entering into of definitive underwriting agreements and other legal documentation in respect of the Global Offering as well as market conditions at the relevant time). Shareholders should note in particular that no underwriting agreement has been signed. Such underwriting agreements, if signed, will be subject to, inter alia, customary conditions precedent. There is, therefore, no assurance that the Proposed Spin-off will proceed.**

#### PREFERENTIAL OFFERING

In accordance with the assured entitlement requirements under PN15, the Directors have given due regard to the interests of the Shareholders and will arrange for the REIT Manager to provide Qualifying Shareholders with Assured Entitlement to a certain number of Reserved Units by way of the Preferential Offering, if the REIT Manager decides to proceed with the Global Offering and the Separate Listing.

It is currently proposed that Qualifying Shareholders will be entitled to subscribe for one Reserved Unit for every whole multiple of 100 Shares (or such other number of Shares as will be stated in the Offering Circular) held by them at the close of business on the Record Date. Any Qualifying Shareholder holding less than 100 Shares (or such other number of Shares as will be stated in the Offering Circular) will not be entitled to apply for any Reserved Unit. Any Reserved Units not taken up by the Qualifying Shareholders will be allocated to the International Offering.

Based on the number of issued Shares as at the date of this announcement and assuming that all of the Reserved Units are taken up under the Preferential Offering, the number of Units to be issued under the Preferential Offering is expected to represent not less than 2.5% of the Units offered in the Global Offering.

**Shareholders should note that the entitlement to Reserved Units may represent Units not in a whole multiple of a full board lot of Units, and dealings in odd lot Units may be below their prevailing market price. Entitlements to Reserved Units are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. Any Units to be issued pursuant to the Preferential Offering shall be fully paid, ranking *pari passu* in all respects with other Units to be issued pursuant to the Global Offering.**

Any Qualifying Shareholder who holds the Shares as a nominee, trustee or registered holder in any other capacity will not be treated differently from any other registered holder. Any beneficial owner of the Shares whose Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to the Assured Entitlement. Any such person may consider whether it wishes to arrange for the registration of the relevant Shares in the name of the beneficial owner prior to the Record Date.

Overseas Shareholders will be notified by mail regarding their respective entitlements on the subscription of Units under the Preferential Offering.

#### CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

Based on the expected timetable, the register of members of the Company will be closed from Thursday, December 7, 2006 to Friday, December 8, 2006 (both dates inclusive) for the purpose of determining the Assured Entitlement and entitlement to vote at the SGM. No transfer of the Shares may be registered during such book close period. In order to qualify for the Assured Entitlement and to vote at the SGM, all forms for transfers of Shares and/or exercise of any subscription rights attaching to the outstanding warrants of the Company duly accompanied by the relevant certificates, together with, where appropriate, the relevant subscription money, must be lodged with the Registrar by no later than 4:00 p.m. on Wednesday, December 6, 2006.

The last day of dealing in the Shares cum Assured Entitlement is expected to be on Monday, December 4, 2006 and the Shares will then be traded ex Assured Entitlement as from Tuesday, December 5, 2006. However, if the Global Offering and the Separate Listing are postponed, the Board may then determine another date(s) for closure of the register of members of the Company for the purposes of determining the Assured Entitlement and entitlement to vote at the SGM and further announcement(s) will be made to inform the Shareholders and other investors in due course.

**Shareholders should note that the implementation of the Preferential Offering is conditional upon the satisfaction of the conditions of the Proposed Spin-off as set out in paragraph 10 headed "Conditions" under the section headed "Proposed Spin-off and Separate Listing" above. If any of such conditions is not fulfilled by such time as is set out therein, the Preferential Offering will not be made and, in such case, no Qualifying Shareholders may subscribe for any Reserved Units thereunder.**

**Shareholders should further note that the actual total number of the Units to be distributed subject to the Preferential Offering will vary depending on the actual number of issued Shares as at the Record Date.**

#### RESTRUCTURING

##### 1. Establishment of Regal REIT

It is intended that the REIT Manager and the Trustee will enter into the Trust Deed for the purpose of constituting and establishing Regal REIT.

##### 2. Internal reorganization

In preparation for the transfer of the interest in Holding SPV to Regal REIT, Regal will reorganize its interests in the Initial Hotel Properties, the major steps of which will include:

- (a) Asset transfer agreements will be entered into between the respective Lessor and the Lessee for the transfer of various assets including, but not limited to, cash and bank balances, accounts receivable, pre-payments, hotel inventories, and rental deposits received by the respective Lessor.

- (b) Assignments of loans will be entered into between the Lessors (as debtors), two finance companies in the Group (as assignors), and Holding SPV and Rich Day Investments Limited, a wholly-owned subsidiary of Holding SPV (as assignees), for the assignment of various existing inter-company loans to Holding SPV and Rich Day Investments Limited (as the case may be).
- (c) Transfers by the current holding companies of the Holding Companies in relation to the entire issued share capital of the Holding Companies to Holding SPV.

Upon completion of the above internal reorganization, Holding SPV will become the sole shareholder of the Holding Companies, which will, in turn, hold the owners of the Initial Hotel Properties and the Promissory Notes would have been issued by Holding SPV to the Vendor.

#### 3. Transfer of Holding SPV to Regal REIT

##### (a) Sale and Purchase Agreement

On the Listing Date, the Trustee will acquire the entire issued share capital of Holding SPV and the Promissory Notes, which are non-interest bearing and will become an inter-company loan of Regal REIT on the Listing Date, pursuant to the Sale and Purchase Agreement. After such acquisition, Holding SPV will cease to be a subsidiary of the Company, and Regal REIT will own the Initial Hotel Properties through the wholly-owned subsidiaries of Holding SPV.

##### Consideration and completion

The aggregate consideration for the acquisition of the entire issued share capital of Holding SPV and the Promissory Notes, subject to the Adjustment Sum, is expected to be not less than HK\$14 billion. The Company will endeavour to achieve an overall consideration under the Sale and Purchase Agreement of over HK\$14 billion. The purpose of including the Adjustment Sum is to reflect the actual consideration payable to the Vendor based on the Offer Price achieved in the Global Offering.

Completion of the Sale and Purchase Agreement is expected to take place on the Listing Date, and will be subject to the satisfaction of a number of conditions including, but not limited to:

- (i) the Company obtaining Shareholders' approval of the Proposed Spin-off;
- (ii) concurrent signing and delivery of the Lease Agreements, the Hotel Management Agreements, the Lease Guarantees, and an unconditional and irrevocable bank guarantee under the Lease Guarantees;
- (iii) the Facility being in place at Completion and being available to be drawn down by the Finance Companies at Completion; and
- (iv) the obligations of the underwriters under the underwriting agreements in relation to the Hong Kong Public Offering and the International Offering becoming unconditional and not being terminated in accordance with their respective terms.

##### Representations, warranties, indemnities and undertakings

The Sale and Purchase Agreement will contain representations, warranties and indemnities made or given by the Vendor and Regal in respect of Holding SPV (and its subsidiaries) and the Initial Hotel Properties, in line with customary market practice for arm's length transactions of this nature.

In addition, the Vendor will undertake to complete the Asset Enhancement Program at its own cost. The Sale and Purchase Agreement will specify target completion dates in 2007 and 2008, as applicable, by which the portions of the Asset Enhancement Program must be completed. If a target completion date is not met, liquidated damages will become payable up to the date of completion or until a specified long-stop date. If the Asset Enhancement Program is still not completed by the relevant pre-determined long stop date, the Trustee (at the direction of the REIT Manager) may accept the completed part, enter the uncompleted part, and demand from the Group cash compensation in an amount equal to the full appraised value of the relevant Asset Enhancement Program project (as determined in accordance with the Sale and Purchase Agreement).

Regal will guarantee the Vendor's obligations under the Sale and Purchase Agreement. Any claim against the Vendor in respect of any breach of warranties will be subject to an aggregate maximum liability of an amount equal to the aggregate consideration under the Sale and Purchase Agreement, a limitation period of three years from the Listing Date for all claims other than claims relating to taxation, and a limitation period of seven years from the Listing Date relating to taxation.

##### (b) Deed of Tax Indemnity

In connection with the Restructuring, it is proposed that a Deed of Tax Indemnity will be entered into by the Vendor and Regal in favour of the Trustee and Holding SPV (for itself or on behalf of its subsidiaries) in respect of, among other things, any liability for taxation resulting from or by reference to any event occurring on or before completion of the Restructuring or in respect of any gross receipts, income, profits or gains earned, accrued or received by Holding SPV (and its subsidiaries, where applicable) on or before completion of the Restructuring. A claim can be made on or prior to the seventh anniversary of the Deed of Tax Indemnity.

##### (c) AEP Agency Deed

To facilitate the carrying out of the Asset Enhancement Program, (a) the Lessors (other than Ricobem Limited), (b) the AEP Agent and (c) Regal will enter into the AEP Agency Deed, whereby each of the Lessors will appoint the AEP Agent to enter into and manage the AEP Contracts on its behalf. However, unless the relevant Lessor has given its prior written consent, the AEP Agent shall not have any power to commit any Lessor to (i) assume any liability whatsoever, other than liability to pay contract sums which, in aggregate, do not amount to more than the estimated cost of the Asset Enhancement Program for its Initial Hotel Property together with cost overruns limited to 30% of such estimated costs, in respect of AEP Contracts; or (ii) encumber any of its assets or discharge any other obligation.

The AEP Agent will be required to coordinate and ensure the carrying out and completion of the Asset Enhancement Program by the main contractors, sub-contractors, project managers and advisers in accordance with the terms of the Sale and Purchase Agreement. Regal will guarantee the AEP Agent's obligations under the AEP Agency Deed. The Group will undertake to indemnify the Lessors from and against all costs, losses and liabilities arising from the AEP Contracts, to settle all payments on behalf of the Lessors when due or payable and to procure that project managers, consultants and other professional advisers discharge their duties under the AEP Contracts.

#### 4. Subscription of Units

Regal and its wholly-owned subsidiaries, Complete Success Investments Limited and Great Prestige Investments Limited, will enter into the Subscription Agreement with the REIT Manager to subscribe for Units (including a certain number of AEP Units) at the Offer Price. The consideration for the Units to be subscribed by Regal will be satisfied by the issuance of a promissory note by the Vendor to Regal REIT, and such promissory note will then be applied by Regal REIT to satisfy part of the consideration payable by the Trustee to the Vendor for the acquisition of Holding SPV as described in paragraph 3 of this section.

#### THE GROUP'S RELATIONSHIP WITH REGAL REIT AFTER THE PROPOSED SPIN-OFF

The Remaining Regal Group and Regal REIT will be managed by separate management teams. The REIT Manager is a wholly-owned subsidiary of the Company, while the Trustee will be a professional trustee independent of the Group.

##### 1. REIT Manager

The REIT Manager is incorporated in Hong Kong for the sole purpose of managing the assets of Regal REIT. Although the REIT Manager is a wholly-owned subsidiary of the Company, it will operate independently of the Company.

##### (a) Board and management of the REIT Manager

The board of directors of the REIT Manager will be responsible for the overall governance of the REIT Manager including establishing goals for management and monitoring the achievement of these goals. It will establish a framework for the management of Regal REIT, including a system of internal control and business risk management processes.

The board of directors of the REIT Manager will comprise seven directors, three of whom are independent non-executive directors. The sole executive director will be licensed by the SFC as a responsible officer of the REIT Manager for the purposes of the SFO.

The three Directors who are also directors of the REIT Manager will not constitute a majority of the board of directors of the REIT Manager. Upon the Proposed Spin-off, the Board of the Company and the board of directors of the REIT Manager will have three common directors but no common executive directors. These three common directors are all executive directors of the Company, but are all non-executive directors of the REIT Manager. None of the Directors or the directors of the REIT Manager will participate, at the same time, in the day-to-day management of both the Remaining Regal Group and the REIT Manager. Accordingly, despite the said common non-executive directorships, the day-to-day executive management responsibilities of the Remaining Regal Group will remain distinct from those of the REIT Manager.

Immediately after the Proposed Spin-off, none of the three common directors of the Company and the REIT Manager will hold any interest in the Units of Regal REIT (other than indirectly through the Company as a result of the Company's holdings in Regal REIT).

(b) **Directors of the REIT Manager**

*Non-executive directors*

**Mr. Lo Yuk Sui** — Mr. Lo is to act as the chairman and one of the three non-executive directors of the REIT Manager. Mr. Lo is the chairman and managing director of each of Century City, Paliburg and Regal, and will continue to act in such capacities after the Proposed Spin-off.

**Mr. Donald Fan Tung** — Mr. Fan is to act as one of the three non-executive directors of the REIT Manager. Mr. Fan is an executive director of Paliburg and Regal. After the Proposed Spin-off, he will continue to serve on the board of directors of each of Paliburg and Regal as an executive director.

**Mr. Jimmy Lo Chun To** — Mr. Lo is to act as one of the three non-executive directors of the REIT Manager. Mr. Lo is an executive director of each of Century City, Paliburg and Regal. After the Proposed Spin-off, he will continue to serve on the board of directors of each of Century City, Paliburg and Regal as an executive director.

*Executive director*

**Mr. Kai Ole Ringenson** — Mr. Ringenson is to act as the sole executive director, the Chief Executive Officer and one of the three licensed responsible officers of the REIT Manager. He has recently resigned as a non-executive director of Regal and will work for the REIT Manager on a full time basis.

*Independent non-executive directors*

**Hon Abraham Shek Lai Him, J.P.** — Mr. Shek is to act as one of the three independent non-executive directors of the REIT Manager. Mr. Shek is an independent non-executive director of Paliburg. After the Proposed Spin-off, he will continue to serve on the board of Paliburg as an independent non-executive director.

**Mr. Alvin Lam Kwing Wai** — Mr. Lam is to act as one of the three independent non-executive directors of the REIT Manager. Mr. Lam has no prior engagement with the Group as a director.

**Mr. John William Crawford, J.P.** — Mr. Crawford is to act as one of the three independent non-executive directors of the REIT Manager. Mr. Crawford has no prior engagement with the Group as a director.

(c) **Senior executives**

**Mr. Paul Tsang Zee Ho** — Mr. Tsang is proposed to be one of the three licensed responsible officers of the REIT Manager. Mr. Tsang will also be the investment and investor relations manager of the REIT Manager, who will be responsible for evaluating potential acquisitions or investments consistent with Regal REIT's investment strategy.

**Mr. Thomas Wan Chuen Fai** — Mr. Wan is proposed to be one of the three licensed responsible officers of the REIT Manager. Mr. Wan will also be the asset management manager of the REIT Manager, who will be responsible for overseeing the operations and implementation of the short to medium-term objectives of Regal REIT's portfolio and supervising the Hotel Manager pursuant to the terms of the Hotel Management Agreements in the implementation of Regal REIT's strategies.

(d) **Sharing of non-management functions**

On the operational level, the REIT Manager will have its own team of staff to manage the business of the REIT Manager. Only some administrative and support functions (such as back-office support) will be shared between the REIT Manager and the Remaining Regal Group.

The Board confirms that, other than disclosed above, all essential managerial functions would be carried out by Regal REIT without requiring the support of the Remaining Regal Group.

(e) **REIT Manager's Fees**

The REIT Manager will be remunerated by way of:

- (i) a base fee, which is intended to be 0.3% per annum, subject to a maximum cap of 0.5% per annum, of the value of all the gross assets of Regal REIT, including the Initial Hotel Properties, held in its portfolio, payable monthly in arrears;
  - (ii) a variable fee, which is intended to be 3% per annum, subject to a maximum cap of 5% per annum, of the Net Property Income, payable annually;
  - (iii) an acquisition fee, which is intended to be 1% of the purchase price of property acquired by Regal REIT (other than the acquisition described in paragraph 3(a) of the section headed "Restructuring" above); and
  - (iv) a divestment fee, which is intended to be 0.5% of the sale price of property divested by Regal REIT
- (collectively, the "REIT Manager's Fees").

The REIT Manager's Fees will be in the form of cash and/or Units pursuant to the terms of the Trust Deed.

2. **Lease Agreements**

Each of the Lessors is expected to enter into a separate Lease Agreement in respect of the Initial Hotel Properties with the Lessee, a wholly-owned subsidiary of Regal for a term from the Listing Date to December 31, 2015.

For the years from 2006 to 2010, the Lessee will be required to pay an annual aggregate Base Rent of HK\$550 million in the first fiscal year (which shall be pro-rated from the Listing Date until December 31, 2006) and HK\$630 million, HK\$700 million, HK\$750 million and HK\$780 million for the second, third, fourth and fifth fiscal years respectively. In addition, during each of the first to fifth fiscal years, the Lessee will be required to pay a Variable Rent for each such year, a sum which represents 100%, 100%, 70%, 60% and 50% of the Collective NPI Excess for each year from 2006 to 2010, respectively. In the event the aggregate of the Variable Rent paid by the Lessee from the Listing Date to December 31, 2010 shall be less than HK\$220 million, the Lessee will be required to pay the shortfall, subject to certain downward adjustments as provided under the Lease Agreements.

For the purpose of this announcement:

- Gross Operating Profit = Total Hotel Revenue<sup>1</sup> - Hotel Operating Expenses<sup>2</sup>
- Adjusted GOP = Gross Operating Profit + Net Rental Income<sup>3</sup>
- Net Property Income = Adjusted GOP - hotel management base fee<sup>4</sup> - hotel management incentive fee<sup>4</sup> - certain non-operating hotel expenses as provided under the Lease Agreements ("Fixed Charges")
- Collective NPI Excess = the excess of the aggregate Net Property Income of all the Initial Hotel Properties over the aggregate annual Base Rent of all the Initial Hotel Properties for any relevant period, taking into account any negative Net Property Income

1 means revenue derived for any period of time from (a) the Initial Hotel Properties in relation to (i) rooms rented; (ii) food and beverage sales; (iii) catering operations conducted outside of the Initial Hotel Properties; (iii) miscellaneous banquet and meeting room income; (iv) parking services rendered; (v) laundry and dry cleaning services rendered and (vi) health center, swimming pool, spa and gym services; (b) other miscellaneous operated departments in the Initial Hotel Properties on all hotel room revenue and food and beverage revenue (excluding in-hotel-room mini-bar revenue), which will be more fully described in the Hotel Management Agreements.

2 an operating expense in accordance with the 9<sup>th</sup> edition (or such later edition) of the Uniform System of Accounts for the Lodging Industry published by the American Hotel & Lodging Association.

3 means the total rental revenue in respect of lettable areas of the Initial Hotel Properties less attributable expenses including but not limited to government rent and rates, leasing expenses, air-conditioning charges, energy and utility expenses, repair and maintenance and other expenses (administration and sundry expenses), which will be more fully described in the Hotel Management Agreements.

4 Please refer to the section headed "Hotel Management Agreements" for further details.

**Shareholders should note that, after the Proposed Spin-off, the entire amount of the Net Property Income for each of the periods from the Listing Date to December 31, 2006 and the twelve months ending December 31, 2007, respectively, will be transferred from the Remaining Regal Group to the Lessors (i.e. the direct owners of the Initial Hotel Properties under Regal REIT, in which the Remaining Regal Group will hold an approximate 50% interest (assuming that the Over-allotment Option is not exercised)), in the form of Base Rent and Variable Rent pursuant to the Lease Agreements. As such, the said arrangement may have an adverse impact on the future profitability of the Remaining Regal Group during the aforesaid periods.**

For each of the five years from 2011 to 2015, the Lessee shall pay the higher of HK\$400 million and the market level rent to be determined on an annual basis by a jointly appointed independent professional property valuer under the rent review process pursuant to the Lease Agreements.

For Regal Hongkong Hotel, there will be an additional pre-determined monthly rent payable by the Lessee for the use of certain areas for the mechanical, electrical, back-of-house and other minor hotel facilities for the operation of Regal Hongkong Hotel.

The Lessee will also be required from the Listing Date until December 31, 2010 to contribute on a monthly basis 2% of the Total Hotel Revenue towards the FF&E Reserve owned and maintained by Regal REIT. Thereafter, the percentage contribution by the Lessee will be determined as part of the annual rent review.

Each of the Lessee and the relevant Lessor will be entitled to terminate their respective Lease Agreement by serving a written notice of termination with different notice period requirements depending on the nature of the termination event.

The Regal Airport Hotel is held under a sub-lease from the Airport Authority Hong Kong ("AA") and consent has been obtained from AA for the entering into of, among others, the relevant Lease Agreement. In this connection, Regal has agreed to indemnify AA for any costs, expenses, penalty and liabilities which may arise out of the application for and grant of the consent, or any breach of the relevant Government Grant as a result of the entering into of the said arrangements. Legal advice has been obtained confirming that the entering into of the said Lease Agreement would not amount to a breach of the relevant Government Grant.

3. **Lease Guarantees**

Regal is expected to give guarantees to the Lessor and the Trustee in respect of the Lessee's payment obligations under the Lease Agreement, and to procure and maintain from time to time, at its sole cost and expense, an unconditional and irrevocable bank guarantee in the amount of HK\$1 billion in favour of the Lessors and the Trustee in the form of a letter of credit to cover its payment obligations and that of the Lessee for the period up to June 30, 2011. Unless the Lease Agreements are early terminated, the same shall, at the sole cost and expense of Regal, remain in place and effective at all times until June 30, 2016 upon the same terms and for an amount which is the highest of (i) the amount which a jointly appointed independent professional property valuer determines to be the market rate of the security deposit, (ii) 50% of the annual base rent as determined by such valuer and (iii) 50% of the Floor Rent (i.e. HK\$200 million for the Initial Hotel Properties).

Regal is also expected to undertake to ensure and procure that for so long as any part of the guaranteed liabilities remains outstanding, the Consolidated Tangible Net Worth of Regal shall not be less than HK\$4 billion.

"Consolidated Tangible Net Worth" means the total assets of Regal, as shown in its most recent consolidated balance sheet as at June 30 (unaudited), or, as the case may be, as at December 31 (audited) minus:

- (a) total liabilities (excluding any deferred tax liabilities) of Regal, as shown in its most recent consolidated balance sheet as at June 30 (unaudited) or, as the case may be, as at December 31 (audited);
- (b) any declared dividend or other distributions to Regal's shareholders, to the extent that such dividend or other distribution is not provided for in such balance sheet;
- (c) amounts attributable to minority interests in Regal's subsidiaries; and
- (d) any intangible assets of Regal, as shown in its most recent consolidated balance sheet as at June 30 (unaudited), or, as the case may be, as at December 31 (audited);

and after restating Regal's interest in Regal REIT to its market value based on the last traded price of the units of Regal REIT as at the relevant balance sheet date.

In determining the "total assets of Regal" as shown in the most recent consolidated balance sheet, where the book carrying values of the hotel properties and other real estate properties which may be held by the Group as shown in Regal's then most recent consolidated balance sheet are adversely affected due to a change in Hong Kong Financial Reporting Standards and/or adoption of other relevant accounting policy, an adjustment shall be required to state such carrying values at their open market values by reference to an independent professional valuation, such adjustment to be certified by the external auditors and added to such total asset value.

4. **Hotel Management Agreements**

Regal REIT (through Holding SPV and the Lessors) is expected to enter into the Hotel Management Agreements with the Lessee, the Hotel Manager and Regal in respect of the Initial Hotel Properties. The Hotel Manager, a wholly-owned subsidiary of Regal, is expected to be engaged as the exclusive operator and manager of the Initial Hotel Properties for a term of 20 years from the Listing Date. The Hotel Manager will supervise, direct and control the management, operation and promotion of the business of the Initial Hotel Properties solely under the "Regal" brand name and to act in good faith, to exercise due care and diligence and with full control and discretion, to operate, manage, and promote the business of each Initial Hotel Property, to provide all services lawfully or properly provided by a hotel of comparable standard as the Initial Hotel Property and to act in the best interests of the Lessee (or the applicable Lessor after the expiration or earlier termination of the Lease Agreements) with a view to optimizing profit of the Initial Hotel Property.

The Hotel Manager is expected to receive payment by the Lessee (or the applicable Lessor after the expiration or earlier termination of the Lease Agreements) of a hotel management fee comprising of:

- (a) a hotel management base fee which is equal to:
  - (i) for so long as the Lease Agreement for the relevant Initial Hotel Property is in subsistence, an amount equal to 1% of Gross Revenues; and
  - (ii) in any other case during the term of the Hotel Management Agreement, an amount equal to 3% of Gross Revenues; and
- (b) a hotel management incentive fee which is equal to:
  - (i) for so long as the Lease Agreement for the relevant Initial Hotel Property is in subsistence, an amount equal to 1% of the excess of the Adjusted GOP over (1) the hotel management base fee and (2) the Fixed Charges; and
  - (ii) in any other case during the term of the Hotel Management Agreement, an amount equal to 5% of the excess of the Adjusted GOP over (1) the hotel management base fee and (2) the Fixed Charges.

Under each Hotel Management Agreement, the obligation of the Lessee to pay the hotel management fees to the Hotel Manager will be subordinated to the obligation of the Lessee to pay all rent due by it under the relevant Lease Agreement.

The Hotel Manager is also expected to charge a marketing fee of not more than 1% of the Total Hotel Revenue for each fiscal year for the purposes of participating in national and international advertising and mandatory corporate marketing programs approved in the operating budget.

If the Hotel Manager fails to achieve at least 80% of the Gross Operating Profit approved by the Lessee (or the applicable Lessor after the expiration or earlier termination of the Lease Agreements) (the "Owner") for two consecutive fiscal years (unless, inter alia, where any such fiscal year is adversely affected by certain force majeure events to be stipulated in the Hotel Management Agreement), the Owner and any other non-defaulting party shall have the right to terminate the Hotel Management Agreement by giving at least 3 months' written notice. The Hotel Manager however has one chance to cure the non-performance by paying to the Owner an amount equal to the difference between (a) the actual Gross Operating Profit of each of the two fiscal years and (b) 80% of the Gross Operating Profit in the approved operating budgets for each of the corresponding fiscal years.

The Lessor will be entitled to terminate the Hotel Management Agreement by written notice if notice to terminate the related Lease Agreement is served by the Lessor as a result of default by the Lessee thereunder, subject to liquidated damages being payable to the Hotel Manager in such circumstances. Each of the parties thereto will be entitled to terminate the relevant Hotel Management Agreement by serving a written notice of termination with different notice period requirements depending on the nature of the termination event.

Regal is expected to indemnify each Lessor against all damages, losses, costs and expenses, claims and demands made by any third party by reason of any failure by the Hotel Manager to perform its obligations under the relevant Hotel Management Agreement.

Further details of the Hotel Management Agreements will be set out in the Offering Circular.

5. **Deed of Trade Mark Licence**

Regal International Limited, a wholly-owned subsidiary of Regal, is expected to enter into a Deed of Trade Mark Licence with the REIT Manager, the REIT Group Companies and the Lessors (collectively the

“Licensees”), whereby Regal International Limited will grant, free of royalty to each of the Licensees a non-exclusive and non-transferable right and licence to use its trade marks or service marks registered as at the date of Deed of Trade Mark Licence, for the purpose of describing the ownership of any Initial Hotel Property and/or use in connection with the business of each Initial Hotel Property.

Regal International Limited will not object to the use by any of the Licensees in any jurisdiction of (a) such trade marks or service marks for the purpose of describing the ownership of any Initial Hotel Property and/or in connection with the business of each Initial Hotel Property; (b) such trade marks or service marks as part of its corporate, business and domain names(s); and (c) any intellectual property right that Regal International Limited may have in relation to any other marks, logos or styles used in connection with the Initial Hotel Properties.

Each licence is expected to commence on the Listing Date and is expected to continue in full force until termination of, in respect of the licence granted to each Lessor, the relevant Hotel Management Agreement and, in respect of the licence granted to each of the REIT Manager and the REIT Group Companies all the Hotel Management Agreements. Notwithstanding the earlier termination of the licence granted to the REIT Manager and the REIT Group Companies, Regal International Limited shall not object to (a) the REIT Manager’s use of the trade marks or service marks as part of the corporate, business or domain name(s) of Regal REIT (b) or use by any of the REIT Group Companies of the trade marks or service marks as part of their respective corporate, business or domain name(s) until such date as the REIT Manager determine to change such name(s).

Regal International Limited shall indemnify each Licensee in full for any claim, demand, liability, loss and damage suffered due to a claim by any third party that its use of the marks under licence infringes such third party’s rights. Each Licensee shall indemnify Regal International Limited in full for any claim, demand, liability, loss and damage suffered due to a breach by any terms of the Deed of Trade Mark Licence.

#### 6. Deed of Non-Competition

The Company, the REIT Manager and the Trustee as the trustee of Regal REIT will enter into the Deed of Non-Competition, which shall remain in effect for an initial term of 10 years commencing from the Listing Date, and thereafter shall remain in full force until the earlier of the Units ceasing to be listed on the Stock Exchange and the Group ceasing to beneficially own and control 30% or more of the outstanding Units. The key terms of the Deed of Non-Competition include:

- Regal will grant to Regal REIT a right of first opportunity to acquire new hotels in Greater China (i.e. mainland China, Hong Kong, Macau and Taiwan) of which the Remaining Regal Group is aware of.
- Regal will grant to Regal REIT a right of first refusal to purchase any of the Remaining Regal Group’s hotel interests in Greater China that it may intend to dispose of in the future.
- The Remaining Regal Group will undertake to Regal REIT not to manage, or grant a licence to or authorize any other person or company to manage, any hotels under the “Regal” brand in Hong Kong or within a radius of eight kilometers of any Regal REIT hotel property in the rest of Greater China (excluding Hong Kong) for so long as the Remaining Regal Group (or in the event that any other member of the Remaining Regal Group becomes listed on the Stock Exchange and Regal retains not less than 30% equity interest in such listed company, any member of such listed group) is a hotel manager of any Regal REIT hotel under the “Regal” brand name in Greater China.
- The Remaining Regal Group may manage hotels under other brands in the abovementioned areas if, to the satisfaction of the REIT Manager, there is a segregation of hotel management functions and reservation systems between those hotels in question and Regal REIT’s hotel properties, and the Remaining Regal Group has notified the REIT Manager prior to entering into the Hotel Management Agreement in connection with the other brands.
- The Remaining Regal Group will be obliged to promote the “Regal” brand and ensure the standard of “Regal” hotels are maintained. Regal REIT will not take any action that may invalidate, prejudice or impair any of the Remaining Regal Group’s intellectual property rights in the “Regal” brand, or use the “Regal” name or the “R” logo unless as otherwise permitted under the Hotel Management Agreements or the Deed of Trade Mark Licence.

The following arrangements will also be adopted to address potential conflicts of interests between the Group and Regal REIT:

- The REIT Manager will be a dedicated manager to Regal REIT and is expected to function and be operated independently of Regal. The day-to-day executive management responsibilities of the Remaining Regal Group will remain distinct from that of the REIT Manager. Please refer to paragraph 1 headed “REIT Manager” above in this section for further details.
- On the operational level, the REIT Manager will have its own team of staff to manage the business of the REIT Manager. Only some administrative and supporting functions (such as back-office support) will be shared between the REIT Manager and the Remaining Regal Group. All essential managerial functions will be carried out by REIT Manager’s own management team.
- Regal REIT is expected to arrange financing for its own operations. None of the debt or facilities of Regal REIT will be guaranteed by the Remaining Regal Group upon the Proposed Spin-off.
- All on-going transactions between the REIT Manager (acting on behalf of Regal REIT) and members of the Group (on the other hand) will be on an arm’s length basis and on normal commercial terms. The Directors confirmed that Regal will comply with the requirements of the Listing Rules regarding connected transactions in the future and make appropriate disclosure as and when required.
- In compliance with Rule 13.44 and paragraph A.1.8 of the Code on Corporate Governance Practice of the Listing Rules, any Director with a material interest in a transaction will have to abstain from voting on any relevant board resolution, and the other non-interested Directors present in such board meeting will be called upon to decide on any conflicting issue if circumstances arise.
- The Group is also expected to enter into a Deed of Trademark Licence more particularly described in paragraph 5 headed “Deed of Trademark Licence” of this section.

Upon completion of the Proposed Spin-off, the Company is expected to be interested in approximately 50% of the Units (assuming the Over-allotment Option is not exercised). Regal REIT will not become a subsidiary of the Company and its accounts will not be consolidated into the Company’s accounts. Since Regal REIT is not a connected person of the Company within the meaning of the Listing Rules following the completion of the Proposed Spin-off, transactions entered into between the Company and Regal REIT will not constitute connected transactions for the Company under the Listing Rules.

In light of the clear delineation of business as described in paragraph 4 of the section headed “Proposed Spin-off and Separate Listing” above, and the arrangements described above, the Directors do not foresee any potential competing business between the Remaining Businesses of the Remaining Regal Group and the Regal REIT Business immediately after the Proposed Spin-off.

#### 7. Distributable Income Guarantee Deed

The Company will enter into the Distributable Income Guarantee Deed with the Trustee and the REIT Manager pursuant to which the Company has guaranteed that it shall, in the event that the Total Distributable Income (in respect of all Distribution Periods commencing on and after the Listing Date and ending on or before December 31, 2007), in aggregate, is less than a sum to be set out in the Offering Circular which, subject to the final determination of the Listing Date, is expected to be in the range of HK\$570 million to HK\$590 million, pay to the Trustee an amount which represents the shortfall (the “Shortfall”).

The Shortfall shall be due and payable by the Company to the Trustee no later than the fourteenth business day prior to the distribution date for the Distribution Period ending December 31, 2007.

The REIT Manager undertakes to Regal that it shall, in the event of the occurrence of a Shortfall, engage external auditors to review the calculation of the Shortfall, and the external auditors’ determination (or confirmation, as the case may be) of the Shortfall shall be final and binding on the parties, save in the case of fraud or manifest error.

The Distributable Income Guarantee Deed will automatically terminate if certain provisions of the Trust Deed relating to the calculation of distributions by Regal REIT are amended provided the Company can reasonably demonstrate to the REIT Manager and the Trustee that the amendment has, or will have, a material adverse effect on its interests as a guarantor.

#### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Shareholders and/or potential investors in the Company should note that the financial information contained in the interim results announcement of the Group for the six months ended June 30, 2006 (the “Interim Results Announcement”) and the interim report of the Company for the six months ended June 30, 2006 (the “Interim Report”) has been reviewed and audited by Ernst & Young. Such audited financial information, which is identical to those contained in the Interim Results Announcement and the Interim Report, will be included in the Circular for the purpose of disclosure under the Listing Rules.

As disclosed in the Interim Results Announcement, the Group achieved a consolidated profit attributable to Shareholders of HK\$310.8 million, as compared with the profit of HK\$302.3 million for the corresponding period in 2005.

It was also disclosed in the Interim Results Announcement that as at June 30, 2006, the net asset value of the Group on a pro forma basis assuming its hotel properties were stated at their market value at December 31, 2005, was HK\$12,599.6 million, representing approximately HK\$1.49 per Share. Based on the net borrowings of HK\$4,685.5 million and the pro forma total assets (as adjusted for the revaluation surplus relating to the hotel properties as aforesaid) of HK\$17,526.7 million, the gearing of the Group as at June 30, 2006 was approximately 26.7%.

Since 2003, the Initial Hotel Properties have achieved year-on-year growth in RevPAR, benefiting from the increasing demand for hotel rooms in Hong Kong, especially after the introduction of the “Individual Visit Scheme”. In addition, extensive renovation and upgrading works have been carried out progressively at the Initial Hotel Properties in recent years to enhance their quality and facilities, and these have enabled them to achieve increasing room rates without affecting market competitiveness. The net profits attributable to the Initial Hotel Properties were HK\$143.1 million and HK\$265.4 million, respectively, for the two financial years ended December 31, 2004 and 2005.

The Asset Enhancement Program planned at four of the Initial Hotel Properties (other than Regal Kowloon Hotel) will add, in stages, an aggregate of 468 additional hotel rooms, boasting the total room count of the hotels owned by the Group in Hong Kong to over 3,800.

With regard to the Group’s 70% interest in the Regalia Bay development in Stanley, Hong Kong, although the volume of transactions in the high-end luxury residential market in Hong Kong has slowed down recently, the Group remains optimistic of the future of this segment of the property market. Pending the revival of an active market, certain house units have in the meanwhile been leased out at satisfactory rental yield.

Overall, the Group is confident of the growing prospects of the tourist industry in Hong Kong and the Group’s hotels are well poised to benefit from the resultant increase in the market demands in the local hotel sector. Apart from the internal expansion through the Asset Enhancement Program, the Group is looking to further develop its hotel network, both in hotel ownership as well as in hotel management contracts.

#### FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF

As a result of the Proposed Spin-off, the Remaining Regal Group will hold an interest of approximately 50% (assuming that the Over-allotment Option is not exercised) or approximately 45% (assuming that the Over-allotment Option is exercised in full) in Regal REIT, and Regal REIT will not be regarded as a subsidiary of the Remaining Regal Group. Consequently, the financial results of Regal REIT will not be consolidated into the accounts of the Remaining Regal Group and will be accounted for using the equity method by the Remaining Regal Group. While the gross assets (excluding cash) of the Remaining Regal Group is expected to decrease due to the disposal of the Initial Hotel Properties pursuant to the Proposed Spin-off, the Remaining Regal Group will become free from any bank debt and, in addition, will have net surplus cash proceeds of not less than HK\$4 billion, which is expected to be received under the Proposed Spin-off.

For accounting purposes, the Proposed Spin-off will be treated as a disposal of the Group’s interest in the subsidiaries owning the Initial Hotel Properties. Accordingly, forthwith upon completion of the Proposed Spin-off, the Remaining Regal Group will recognize a gain on the said disposal, the quantum of which will depend on, among other things, the Offer Price of the Units. Such gain is the difference between (a) the implied disposal value of the Initial Hotel Properties achieved under the Proposed Spin-off and (b) the aggregate of (i) the net asset value of the Holding SPV and its subsidiaries and (ii) the estimated cost of the Asset Enhancement Program; and further adjusted by the elimination of the unrealized portion of the gain due to the holding of the Units by the Remaining Regal Group and deduction of estimated expenses relating to the Proposed Spin-off to be borne by the Remaining Regal Group. Assuming that the implied disposal value will not be less than HK\$14 billion, the Company will recognize a gain of not less than HK\$4.6 billion on the said disposal.

#### MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING REGAL GROUP

Revenue from hotel operations and management services increased from HK\$498.2 million for the six months ended June 30, 2005 to HK\$559.7 million for the six months ended June 30, 2006, an increase of 12.4%. The increase was primarily due to an increase in the average room rate for the Initial Hotel Properties as a result of improved mix of business/leisure travelers. The combined average room occupancy for the Initial Hotel Properties during the first six months of 2006 reached about 80% and the combined average room rate has improved by 15.5% year-on-year. While the Regal Airport Hotel is continuing to catch up on its room occupancy, the other four Regal Hotels in Hong Kong are operating steadily at a level of about 90%.

The RevPAR achieved by the Initial Hotel Properties for the first six months of 2006 was approximately HK\$622, representing a year-on-year increase of approximately 13%. The Initial Hotel Properties continued to perform at similar levels since June 30, 2006 with a slight decline due to the effects of seasonality. The RevPAR for the nine months ended September 30, 2006 is estimated to be approximately HK\$600, representing an increase of approximately 12% over the same period last year.

During the first six months of 2006, the jointly controlled entity of the Remaining Regal Group that owns the Regalia Bay development in Stanley, Hong Kong contributed a profit of HK\$217.1 million to the Group from a write back of provision.

#### Borrowings

As disclosed in the Interim Results Announcement, as at June 30, 2006, the Group’s borrowing net of cash and bank balances amounted to HK\$4,685.5 million. The Group’s gearing ratio based on the carrying value of the total assets of HK\$6,987.2 million was about 67.1%. However, based on the pro forma total assets of HK\$17,526.7 million as at June 30, 2006, with the Initial Hotel Properties restated at their valuation as at December 31, 2005 of an aggregate of HK\$14.5 billion, the gearing ratio would be 26.7%.

As at June 30, 2006, certain of the Group’s interest in a jointly controlled entity, hotel properties (including land element, hotel buildings and the related hotel furniture, fixtures and equipment), construction in progress included in property, plant and equipment, bank deposits and cash, inventories and receivables with a total carrying value of HK\$6,069.7 million and the shares in certain subsidiary companies were pledged to secure general banking facilities granted to the Group.

Capital commitments in respect of the renovation of, improvements or extensions to the Initial Hotel Properties amounted to HK\$357.4 million of which HK\$96.6 million had been contracted for as at June 30, 2006.

Immediately after the Proposed Spin-off, it is expected that the bank debts of the Remaining Regal Group will be fully repaid. The Remaining Regal Group is not expected to have any capital commitments immediately after the Proposed Spin-off except for the undertaking in respect of the completion and delivery of the Asset Enhancement Program pursuant to the Sale and Purchase Agreement.

#### FUTURE PROSPECTS OF THE REMAINING REGAL GROUP

As explained above, it has been the trend in recent years for major international hotel groups to achieve growth through the segregation of hotel ownership with hotel operation. This will allow the hotel ownership arm to focus on capital enhancement and hotel acquisition opportunities, while the hotel operating arm will focus on the expansion of the management businesses as well as the promotion of the brand name.

Pursuant to the Proposed Spin-off for the separate listing of Regal REIT, the Company will sell its interests in the Initial Hotel Properties to Regal REIT at a consideration of not less than HK\$14 billion.

Despite the sale of the ownership interests, the Remaining Regal Group will continue to operate and manage the Initial Hotel Properties through the Lease Agreements with the Lessee and the Hotel Management Agreements with the Hotel Manager. In this respect, the interests of the Remaining Regal Group and Regal REIT in the future operating performance of the Initial Hotel Properties will continue to be closely aligned.

Immediately following the Proposed Spin-off, the Remaining Regal Group is expected to become free of any bank debt and, in addition, will have surplus cash proceeds of not less than HK\$4 billion. It is the intention of the Remaining Regal Group to continue to expand its hotel operation and management as well as its property and hotel development businesses.

### Hotel Operation and Management Businesses

The Hotel Manager has over 20 years of proven track record and has been the hotel manager of each of the Initial Hotel Properties since its opening. The Hotel Manager is also presently managing two high class hotels in Shanghai, PRC under the Regal brand name.

With the experience and expertise readily available within its hotel management team, the Remaining Regal Group will actively seek expansion opportunities in major international gateway cities with a view to broadening its hotel management network. Capitalizing on its familiarity with the market, initial focus may be placed on key cities in China, having regard to its strong economic growth and rising tourism.

### Property and Hotel Development Businesses

In Hong Kong, the Remaining Regal Group has a 70% interest in the Regalia Bay development in Stanley. The Regalia Bay development comprises a total of 139 high-end luxury residential houses with a total saleable floor area of about 487,640 sq.ft. and the project was lead managed by Regal. While certain of the remaining houses in Regalia Bay are being leased out at satisfactory rental yield, they will be relaunched for sale when market activities for high-end luxury residential properties revive.

In China, the Remaining Regal Group and Paliburg each beneficially owns a 50% equity interest in a company which, in turn, holds a 59% interest in an investee company established in the PRC. The investee company has obtained Land Grant Contracts for the Phase I land sites comprised in a comprehensive development project located at Chao Yang Men Wai Da Jie in the Central Business District of Beijing and the related land premium payable under the Land Grant Contracts has been fully settled. The overall development project (including the Phase II land sites to be secured) entails total permissible gross floor area of about 4,630,000 sq.ft., planned to comprise office, residential, hotel, commercial and car parking accommodations. The project is planned to be developed in stages and, on its full completion, is expected to become one of the major landmarks in this capital city.

Following the completion of the Proposed Spin-off, the Remaining Regal Group plans to further expand its investments in property and hotel developments. The undertaking by the Remaining Regal Group of new hotel developments will facilitate the planned expansion of its hotel management network and potentially for Regal REIT, as Regal REIT will be offered a right of first refusal under the Deed of Non-Competition if the Remaining Regal Group should decide to dispose of any of its developed hotels.

Overall, the Directors believe that the Proposed Spin-off is beneficial to the Group and will facilitate the continuing growth of the Remaining Regal Group with diversified businesses in hotel operations and management, property and hotel developments, and hotel ownership through its holding in Regal REIT.

**Shareholders should however note that, due to the revised structure of the Group following the Proposed Spin-off, the past financial performance of the Group as referred to above or in the Circular should not be regarded as an indication as to the financial performance of the Remaining Regal Group in the future.**

### GENERAL INFORMATION

The Proposed Spin-off will involve a disposal by the Company of its entire interest in Holding SPV to the Trustee. The Proposed Spin-off will constitute a very substantial disposal for the Company under the Listing Rules, and will be subject to the approval of the Shareholders under Rule 14.49 of the Listing Rules and the requirements under PN15.

Any Shareholder who has a material interest in the Proposed Spin-off, and its associates (as defined under the Listing Rules), are required to abstain from voting on the resolution approving the Proposed Spin-off. As far as the Directors are aware, the interests in relation to the Proposed Spin-off and other related matters of all Shareholders (including the Controlling Shareholders) are the same and the Controlling Shareholders, who are together interested in approximately 45.2% of the issued share capital of the Company, do not have any material interest in the Proposed Spin-off for the purpose of paragraph 3(e)(2) of PN15 and Rule 2.16 of the Listing Rules, hence all Shareholders are entitled to vote on the ordinary resolution at the SGM.

The Directors confirm that the proposal in respect of the Proposed Spin-off has been submitted to and approved by the Stock Exchange in accordance with PN15, on the conditions that the Proposed Spin-off is approved by the Shareholders according to the requirements under the Listing Rules, and an unequivocal statement from Platinum Securities that the Proposed Spin-off is fair and reasonable is included in the Circular.

The Directors (including the independent non-executive Directors) are of the view that the Restructuring and the Proposed Spin-off are in the interests of the Company and the Shareholders.

A circular including, among other information: (1) a letter from the Board containing further details of the Proposed Spin-off and other related matters; (2) recommendations of the Independent Board Committee to the Shareholders; (3) a letter from Platinum Securities, the independent financial adviser, containing its advice to the Independent Board Committee and the Shareholders in respect of the voting on the Proposed Spin-off and any related matter; and (4) a notice of the SGM, will be dispatched to the Shareholders on November 23, 2006.

**The Proposed Spin-off is subject to, among other things, the Listing Approval being granted by the Listing Committee. Accordingly, Shareholders should note that the Proposed Spin-off is dependent on a number of factors and subject to a number of conditions, which may or may not be satisfied. Thus, there can be no assurance that the Proposed Spin-off will proceed. Accordingly, Shareholders or other potential investors are reminded to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers.**

This announcement is jointly made by the Company pursuant to Rule 14.34 of the Listing Rules, and by Century City and Paliburg pursuant to Rule 13.09 of the Listing Rules.

### DEFINITIONS

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

|                                      |   |
|--------------------------------------|---|
| “Adjusted GOP”                       | has the meaning ascribed to that term in paragraph 2 of the section headed “The Group’s relationship with Regal REIT after the Proposed Spin-off” in this announcement  |
| “Adjustment Sum”                     | means the amount calculated as the difference between the Offer Price and the minimum offer price multiplied by the number of Units to be issued pursuant to the Separate Listing, and adjusted for the corresponding change in the commission amount payable to the underwriters   |
| “AEP Agency Deed”                    | means the deed proposed to be entered into among the Lessors (other than Ricobem Limited), the AEP Agent and Regal pursuant to which the AEP Agent will be appointed as the agent for the purposes of entering into and managing AEP Contracts on the Lessors’ behalf   |
| “AEP Agent”                          | means Regal Contracting Agency Limited, a wholly-owned subsidiary of Regal  |
| “AEP Contracts”                      | means all construction contracts and/or other contracts in relation to the carrying out of the Asset Enhancement Program proposed to be entered into by, or on behalf of, the Lessors and the relevant contractors and/or project consultants and/or other professional advisers whose services are from time to time engaged in connection with the execution of the Asset Enhancement Program   |
| “AEP Units”                          | means, subject to the arrangements under the Distribution Deed, the Units to be subscribed and held by Great Prestige Investments Limited, a wholly-owned subsidiary of Regal, which is expected to be no more than 12% of the Units to be issued pursuant to the Separate Listing  |
| “Application Form(s)”                | means the WHITE application form(s), YELLOW application form(s) and BLUE application form(s), or where the context so requires, any of them   |
| “Asset Enhancement Program” or “AEP” | means the extension and refurbishing program in relation to the Initial Hotel Properties, as more fully described under paragraph 3 of the section headed “Proposed Spin-off and Separate Listing” in this announcement   |
| “associate”                          | has the meaning ascribed to it under the SFO unless as otherwise stated in this announcement  |
| “Assured Entitlement”                | means the entitlement of Qualifying Shareholders to apply for Reserved Units under the Preferential Offering on the basis of an assured entitlement of one Reserved Unit for every whole multiple of 100 Shares held by each Qualifying Shareholder at the close of business on the Record Date. For the avoidance of doubt, a Qualifying Shareholder is not entitled to any Reserved Unit in respect of any holding of fewer than 100 Shares |
| “Authorization”                      | means the authorization of Regal REIT by the SFC under section 104 of the SFO   |
| “average room rate”                  | means the total hotel room revenue divided by the total number of room nights sold in a given period  |

|  |  |
|--|--|
| “Base Rent”  | means the pre-determined rent payable by the Lessee to the Lessor pursuant to each Lease Agreement   |
| “Board”  | means the board of Directors   |
| “BVI”  | means British Virgin Islands   |
| “CCASS”  | means the Central Clearing and Settlement System established and operated by HKSCC   |
| “CCASS Operational Procedures”                       | means the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force  |
| “Century City”                                       | means Century City International Holdings Limited, a company incorporated in Bermuda with limited liability, whose ordinary shares and warrants are listed on the Main Board, and the holding company of Paliburg  |
| “Century City Group”                                 | means Century City and its subsidiaries  |
| “Circular”   | means the circular to be issued by the Company in relation to the Proposed Spin-off  |
| “Collective NPI Excess”                              | has the meaning ascribed to that term in paragraph 2 of the section headed “The Group’s Relationship with Regal REIT after the Proposed Spin-off” in this announcement   |
| “Company” or “Regal”                                 | means Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability, whose Shares and warrants are listed on the Main Board  |
| “Controlling Shareholders”                           | means Paliburg and its associates (as defined in the Listing Rules) who together hold approximately 45.2% of the issued ordinary share capital of the Company as at the date of this announcement  |
| “Deed of Non-Competition”                            | means the deed proposed to be entered into between Regal, the REIT Manager and the Trustee relating to, among others, certain non-compete undertakings and right of first refusal to be given by Regal   |
| “Deed of Tax Indemnity”                              | means the deed proposed to be entered into between the Vendor and Regal in favour of the Trustee and Holding SPV relating to the indemnification of tax liabilities of Holding SPV and its subsidiaries in connection with the Sale and Purchase Agreement   |
| “Deed of Trade Mark Licence”                         | means the deed proposed to be entered into between Regal International Limited, a wholly-owned subsidiary of Regal, the REIT Manager, the REIT Group Companies and the Lessors relating to certain trade marks and service marks licences  |
| “Director(s)”  | means director(s) of the Company   |
| “Distributable Income Guarantee Deed”                | means the deed proposed to be entered into between Regal, the Trustee and the REIT Manager pursuant to which Regal will guarantee to pay the Trustee the shortfall in the event that the Total Distributable Income for the period from the Listing Date to December 31, 2007, in aggregate, is less than a sum to be set out in the Offering Circular which, subject to the final determination of the Listing Date, is expected to be in the range of HK\$570 million to HK\$590 million   |
| “Distribution Deed”                                  | means a deed proposed to be entered into by Regal and its wholly-owned subsidiary, Great Prestige Investments Limited, pursuant to which certain undertakings will be given relating to their rights to sell or receive distributions in respect of the AEP Units  |
| “Distribution Period”                                | means a period in respect of which a distribution on the Units is declared   |
| “Facility”   | means the proposed secured credit facility for an aggregate amount of approximately HK\$4.5 billion to be extended to the Finance Companies, comprising a term loan facility and a revolving credit facility   |
| “FF&E Reserve”                                       | means the funds to be maintained by Holding SPV pursuant to the Hotel Management Agreements for the replacement of furniture, fixtures and equipment at the Initial Hotel Properties   |
| “Finance Companies”                                  | means Bauhinia Hotels Limited and Rich Day Investments Limited   |
| “Financing Agreement”                                | means the loan and revolving facilities agreement and, as relevant, the security and other agreements relating to the Facility   |
| “Floor Rent”   | means the sum of HK\$400 million per annum in respect of all five Initial Hotel Properties   |
| “General Rules of CCASS”                             | means the general rules of CCASS, as may be amended or modified from time to time  |
| “Global Offering”                                    | means the Hong Kong Public Offering and the International Offering   |
| “Government”   | means the government of the Hong Kong Special Administrative Region  |
| “Government Grant”                                   | means, in respect of each Initial Hotel Property, the Government Conditions or Lease (as the case may be) and any variation or modification thereof under which the Initial Hotel Property is held from the Government   |
| “Greater China”                                      | means mainland China, Hong Kong, Macau and Taiwan  |
| “Gross Operating Profit”                             | has the meaning ascribed to that term in paragraph 2 of the section headed “The Group’s Relationship with Regal REIT after the Proposed Spin-off” in this announcement   |
| “Gross Revenue”                                      | means all revenue derived from an Initial Hotel Property in a particular period, including Total Hotel Revenue, Total Rental Revenue in respect of lettable areas of such Initial Hotel Property, all subsidy payments, governmental allowances and awards, and any other form of incentive payments or awards which are attributable to the operation of the Initial Hotel Property or the management of the lettable areas of such Initial Hotel Property, but excluding (i) hotel accommodation tax or other similar government charges, (ii) income derived from securities and other property investments; (iii) receipts from expropriation awards or sales under the threat of expropriation, (iv) proceeds of any insurance other than business interruption, (v) rebates, discounts or credits of a similar nature, (vi) gratuities paid to hotel employees, (vii) payments received at such Initial Hotel Property for accommodation, goods or services to be provided at other hotels |
| “Group”  | means the Company and its subsidiaries   |
| “HK\$” or “Hong Kong dollars”                        | means Hong Kong dollars, the lawful currency of Hong Kong  |
| “HKFRS” or “Hong Kong Financial Reporting Standards” | means Hong Kong Financial Reporting Standards promulgated by the Hong Kong Institute of Certified Public Accountants, as amended, supplemented or otherwise modified for the time being  |
| “HKSCC”  | means Hong Kong Securities Clearing Company Limited  |
| “Holding Companies”                                  | means the respective holding companies of the Lessors, being (i) Fieldstar Investments Limited, in relation to Bauhinia Hotels Limited, (ii) Yield Rich Limited, in relation to Cityability Limited, (iii) Fit Result Investments Limited, in relation to Ricobem Limited, (iv) Chasehill Limited, in relation to Gala Hotels Limited and (v) Wide Lead Corporation, in relation to Regal Riverside Hotel Limited and “Holding Company” means any one of them  |
| “Holding SPV”  | means Regal Asset Holdings Limited, a company incorporated in Bermuda and the holding company of the Holding Companies immediately after the Restructuring, which will cease to be a subsidiary of Regal upon completion of the Proposed Spin-off  |
| “Hong Kong” or “HK”                                  | means The Hong Kong Special Administrative Region of the PRC   |
| “Hong Kong Public Offering”                          | means the proposed offering of Units to the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions to be described in the Offering Circular and the Application Forms   |
| “Hotel Management Agreement(s)”                      | means the hotel management agreement(s) proposed to be entered into among (i) the relevant Lessor (ii) the Lessee, (iii) the Hotel Manager, (iv) Holding SPV and (v) Regal relating to the provision of certain hotel management, lease management as well as marketing and marketing co-ordination services in respect of the relevant Initial Hotel Property   |

|                                |  |  |   |
|--------------------------------|--|--|---|
| “Hotel Manager”                | means Regal Hotels International Limited, a wholly-owned subsidiary of Regal   | “REIT Group Companies”   | means (i) Holding SPV; (ii) Holding Companies and (iii) Rich Day Investments Limited  |
| “Hotel Operating Expenses”     | has the meaning ascribed to that term in paragraph 2 of the section headed “The Group’s Relationship with Regal REIT after the Proposed Spin-off” in this announcement   | “REIT Manager”   | means Regal Portfolio Management Limited, a wholly-owned subsidiary of Regal  |
| “Independent Board Committee”  | means Ms. Alice Kan Lai Kuen, Mr. Ng Siu Chan and Mr. Wong Chi Keung, independent non-executive Directors who have been appointed as the members of the independent board committee of the Company to advise the Shareholders on how to vote on the resolution to approve the Proposed Spin-off and other matters related thereto  | “REIT Manager’s Fees”  | has the meaning ascribed to that term in paragraph 1(e) of the section headed “The Group’s Relationship with Regal REIT after the Proposed Spin-off” in this announcement   |
| “Independent Property Valuer”  | means CB Richard Ellis Limited, an independent property valuer   | “Remaining Business”   | means the business of the Remaining Regal Group after the Proposed Spin-off as more particularly described in paragraph 4 of the section headed “Proposed Spin-off and Separate Listing” in this announcement   |
| “Initial Hotel Properties”     | means Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel and “Initial Hotel Property” means any one of them  | “Remaining Regal Group”  | means the Group after the Proposed Spin-off excluding the REIT Group Companies  |
| “International Offering”       | means the proposed offering of Units for cash at the Offer Price to institutional, professional and other investors (including Preferential Offering), to be described in the Offering Circular  | “Rental Income”  | means, in relation to a particular piece of real estate, the rental income derived from leasing such real estate  |
| “Lease Agreement(s)”           | means the lease agreement(s) proposed to be entered into between the relevant Lessor and the Lessee relating to the relevant Initial Hotel Property  | “Reserved Units”   | means the Units to be offered pursuant to the Preferential Offering and which are to be allocated out of the Units being offered under the International Offering   |
| “Lease Guarantees”             | means the lease guarantees proposed to be entered into among Regal as guarantor, the Lessor as owner of the relevant Initial Hotel Property and the Trustee, pursuant to which Regal will guarantee to pay all amounts from time to time owing by the Lessee to the Lessors under the Lease Agreements, and “Lease Guarantee” means any one of them  | “Restructuring”  | means the proposed restructuring within the Group and pursuant to which Regal REIT, will upon completion of the Proposed Spin-off, acquire the interest in Holding SPV  |
| “Lessee”                       | means Favour Link International Limited, a wholly-owned subsidiary of Regal  | “RevPAR”   | means revenue per available room, which is calculated by dividing total hotel room revenue by the total number of room nights available for sale in a given period, or by multiplying average room rate and occupancy rate in a given period  |
| “Lessors”                      | means the respective direct owners of the Initial Hotel Properties (being (i) Bauhinia Hotels Limited, in relation to Regal Airport Hotel, (ii) Cityability Limited, in relation to Regal Hongkong Hotel, (iii) Ricobem Limited, in relation to Regal Kowloon Hotel, (iv) Gala Hotels Limited, in relation to Regal Oriental Hotel and (v) Regal Riverside Hotel Limited, in relation to Regal Riverside Hotel) and “Lessor” means any one of them   | “room nights”  | means the number of times a hotel room is used or available for use by a guest(s) for an overnight stay of up to 24 hours in a given period   |
| “Listing Approval”             | means the approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Units on the Main Board of the Stock Exchange   | “Sale and Purchase Agreement”  | means the sale and purchase agreement proposed to be entered into between the Vendor, the Trustee, Regal, Holding SPV and the REIT Manager relating to the sale and purchase of (1) the entire issued share capital of Holding SPV and (2) the Promissory Notes, and the Asset Enhancement Program  |
| “Listing Committee”            | means the listing committee of the Stock Exchange  | “Separate Listing”   | means the proposed separate listing of the Units on the Main Board  |
| “Listing Date”                 | means the date on which the Units are first listed and from which dealings therein are permitted to take place on the Stock Exchange   | “SGM”  | means the special general meeting of the Company to be held at the Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Saturday, December 9, 2006 at 11:00 a.m.  |
| “Listing Rules”                | means the Rules Governing the Listing of Securities on the Stock Exchange  | “SFC”  | means the Securities and Futures Commission of Hong Kong  |
| “Main Board”                   | means the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market operated by the Stock Exchange  | “SFO”  | means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time and the rules thereunder   |
| “Net Property Income” or “NPI” | in relation to an Initial Hotel Property leased to the Lessee pursuant to a Lease Agreement and managed by the Hotel Manager pursuant to a Hotel Management Agreement, the meaning ascribed to that term in paragraph 2 of the section headed “The Group’s Relationship with Regal REIT after the Proposed Spin-off” in this announcement and, in any other context in relation to a real estate asset, the income derived from owning, leasing or operating such asset and other related operating income less operating expenses, which will be more fully described in the Trust Deed | “Share(s)”   | means ordinary share(s) of a nominal value of HK\$0.01 each in the share capital of the Company   |
| “Net Rental Income”            | has the meaning ascribed to that term in paragraph 2 of the section headed “The Group’s Relationship with Regal REIT after the Proposed Spin-off” in this announcement   | “Shareholder(s)”   | means holder(s) of the Shares   |
| “Offer Price”                  | means the final Hong Kong dollar price per Unit (exclusive of brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004% (to be effective from December 1, 2006)) at which the Units are to be issued and allotted pursuant to the Global Offering, to be further described in the Offering Circular   | “Special Purpose Vehicle”  | means an entity whose primary purpose is to hold or own real estate or arrange financing for Regal REIT   |
| “Offering Circular”            | means the offering circular proposed to be issued by the REIT Manager (as manager of Regal REIT) in relation to the Hong Kong Public Offering, if the Global Offering proceeds   | “sq.ft.”   | means square feet   |
| “Over-allotment Option”        | means the option proposed to be granted by Regal to the international underwriters pursuant to the international underwriting agreement to make available up to a certain number of Units, to be offered to investors as part of the International Offering solely to cover the over-allotment of Units (if any)   | “Stock Exchange” or “Hong Kong Stock Exchange”   | means The Stock Exchange of Hong Kong Limited   |
| “Overseas Shareholders”        | means the shareholders whose addresses on the register of members of the Company are outside Hong Kong at the close of business on the Record Date and who will be excluded from the Preferential Offering on account of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, which the Directors consider his/her/its exclusion to be necessary or expedient  | “Subscription Agreement”   | means the Subscription Agreement proposed to be entered into between Regal, Complete Success Investments Limited, Great Prestige Investments Limited and the REIT Manager pursuant to which Regal will subscribe for Units at the Offer Price   |
| “Paliburg”                     | means Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability, whose ordinary shares are listed on the Main Board, and the controlling shareholder of Regal  | “Total Distributable Income”   | has the meaning given to it in the section headed “Distribution policy” in this announcement  |
| “Platinum Securities”          | means Platinum Securities Company Limited, a licensed corporation under the SFO to carry out type 1 and 6 regulated activities, and appointed as the independent financial adviser to the Independent Board Committee and the Shareholders   | “Total Hotel Revenue”  | has the meaning ascribed to that term in paragraph 2 of the section headed “The Group’s Relationship with Regal REIT after the Proposed Spin-off” in this announcement  |
| “PN15”                         | means Practice Note 15 to the Listing Rules  | “Total Rental Revenue”   | means rent and other charges paid by tenants under their lease agreements and license fees and other charges paid by licensees under their license arrangements for the lettable areas in the Initial Hotel Properties which will be more fully described in the Hotel Management Agreements  |
| “PRC” or “mainland China”      | means The People’s Republic of China excluding, for the purposes of this announcement only, Hong Kong, Macau and Taiwan  | “Trust Deed”   | means the trust deed proposed to be entered into between the Trustee and the REIT Manager constituting Regal REIT   |
| “Preferential Offering”        | means the proposed preferential offering to the Qualifying Shareholders for subscription of the Reserved Units at the Offer Price on and subject to the terms and conditions to be described in the Offering Circular and in the BLUE Application Form   | “Trustee”  | means DB Trustees (Hong Kong) Limited, the proposed trustee of Regal REIT which is independent from and not connected with any of the Directors, chief executive, substantial shareholders (as defined under the Listing Rules) or management shareholders (as defined under the Listing Rules) of the Company or any of their respective associates (as defined under the Listing Rules) |
| “Promissory Notes”             | means the promissory notes proposed to be issued by Holding SPV to the Vendor on the Listing Date pursuant to the Restructuring and, which will be assigned to the Trustee (as trustee for and on behalf of Regal REIT) pursuant to the Sale and Purchase Agreement  | “Unit(s)”  | means unit(s) of Regal REIT   |
| “Proposed Spin-off”            | means the proposed spin-off of Regal REIT comprising the Global Offering and the Separate Listing  | “Unitholder”   | means any person registered as the holder of Unit(s)  |
| “Qualifying Shareholders”      | means holders of Shares (other than the Overseas Shareholders and the Controlling Shareholders), whose names appeared on the register of members of the Company as at the close of business on the Record Date   | “Variable Rent”  | means the variable rent payable by the Lessee pursuant to each Lease Agreement, being a 100%, 100%, 70%, 60% and 50% share of Collective NPI Excess for each year from 2006 to 2010, respectively   |
| “Record Date”                  | means December 8, 2006 (or such other date as the Board may determine), being the record date for ascertaining the Assured Entitlement and entitlement to vote at the SGM  | “Vendor”   | means Regal International (BVI) Holdings Limited, a wholly-owned subsidiary of Regal  |
| “Regal REIT”                   | means Regal Real Estate Investment Trust, a collective investment scheme which will be constituted as a unit trust and subject to authorization by the SFC under section 104 of the SFO and other applicable conditions from time to time  | “%”  | means per cent.   |
| “Regal REIT Business”          | means the business of Regal REIT after the Proposed Spin-off as more particularly described in paragraph 4 of the section headed “Proposed Spin-off and Separate Listing” in this announcement   | As at the date of this announcement, the board of directors of Century City comprises the following members:   |   |
| “Registrar”                    | means Computershare Hong Kong Investor Services Limited  | <b>Executive Directors:</b><br>Mr. LO Yuk Sui<br>(Chairman and Managing Director)<br>Mr. Jimmy LO Chun To<br>Mr. Kenneth NG Kwai Kai   | <b>Non-Executive Director:</b><br>Mrs. Kitty LO LEE Kit Tai   |
| “REIT”                         | means a real estate investment trust   | As at the date of this announcement, the board of directors of Paliburg comprises the following members:   | <b>Independent Non-Executive Directors:</b><br>Mr. Anthony CHUANG<br>Mr. NG Siu Chan<br>Mr. WONG Chi Keung  |
| “REIT Code”                    | means the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified from time to time  | <b>Executive Directors:</b><br>Mr. LO Yuk Sui<br>(Chairman and Managing Director)<br>Mr. Donald FAN Tung<br>Mr. Jimmy LO Chun To<br>Mr. Kenneth NG Kwai Kai  | As at the date of this announcement, the Board comprises the following members:   |
|                                |  | <b>Executive Directors:</b><br>Mr. LO Yuk Sui<br>(Chairman and Managing Director)<br>Mr. Donald FAN Tung<br>Mr. Jimmy LO Chun To<br>Miss LO Po Man<br>Mr. Kenneth NG Kwai Kai<br>Ms. Belinda YEUNG Bik Yiu | <b>Non-Executive Director:</b><br>Mrs. Kitty LO LEE Kit Tai   |
|                                |  | <b>By Order of the Board</b><br><b>Century City International Holdings Limited</b><br><b>Eliza Lam Sau Fun</b><br>Secretary  | <b>Independent Non-Executive Directors:</b><br>Ms. Alice KAN Lai Kuen<br>Mr. NG Siu Chan<br>Mr. WONG Chi Keung  |
|                                |  | <b>By Order of the Board</b><br><b>Paliburg Holdings Limited</b><br><b>Eliza Lam Sau Fun</b><br>Secretary  | <b>Non-Executive Directors:</b><br>Dr. Francis CHOI Chee Ming, JP<br>(Vice Chairman)  |
|                                |  | <b>By Order of the Board</b><br><b>Regal Hotels International Holdings Limited</b><br><b>Eliza Lam Sau Fun</b><br>Secretary  |   |