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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Century City International Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected, for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

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**MAJOR TRANSACTION**  
**DISPOSAL OF THE REDHILL PROPERTY**

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20th June, 2002

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## DEFINITIONS

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*In this circular the following expressions bear the following meanings, unless the context otherwise requires:*

“Accepted Offer”	the tender offer to acquire the Redhill Property which was accepted by Real Charm on 3rd May, 2002, the terms of which tender offer are more particularly set out under the paragraph headed “Principal terms of the Accepted Offer” in the letter from the Board
“Board”	the board of Directors
“CCIHL Group”	the Company and its subsidiaries (excluding Paliburg and its subsidiaries)
“Company”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Disposal”	the sale of the Redhill Property by Real Charm to the Purchaser as nominated by the Tenderer in accordance with the terms of the Accepted Offer, the Memorandum and the Nomination
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	17th June, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the Memorandum of Agreement for Sale and Purchase setting out details of the Disposal
“Mr. Lo”	Mr. Lo Yuk Sui, the Chairman and controlling shareholder of the Company
“Nomination”	the Nomination dated 3rd June, 2002 issued by the Tenderer to Real Charm

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## DEFINITIONS

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“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and beneficially owned as to approximately 59.2% by the Company as at the Latest Practicable Date
“Paliburg Group”	Paliburg and its subsidiaries
“PHL Group”	Paliburg and its subsidiaries (excluding Regal and its subsidiaries)
“Purchaser”	the purchaser who was nominated by the Tenderer under the Nomination to acquire the Redhill Property by executing the assignment of the Redhill Property as assignee
“Real Charm”	Real Charm Investment Limited, an indirect wholly-owned subsidiary of Paliburg
“Redhill Property”	the property known as Redhill Plaza, located at 3 Red Hill Road, Tai Tam, Hong Kong
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange, and beneficially owned as to approximately 69.3% by Paliburg as at the Latest Practicable Date
“Regal Group”	Regal and its subsidiaries
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenderer”	the tenderer who made the tender offer that became the Accepted Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“CAD”	Canadian dollars, the lawful currency of Canada

Unless otherwise specified in this circular, US\$1.00 = HK\$7.8 and CAD1.00 = HK\$4.907. No representation is made that any amounts in US\$, CAD or HK\$ could have been or could be converted at such a rate or at any other rates or at all.

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## LETTER FROM THE BOARD

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*Directors:*

LO Yuk Sui (*Chairman and Managing Director*)  
Tommy LAM Chi Chung  
Kitty LO LEE Kit Tai  
Jimmy LO Chun To  
Kenneth NG Kwai Kai

*Independent non-executive Directors:*

Anthony CHUANG  
NG Siu Chan

*Registered Office:*

Rosebank Centre,  
11 Bermudiana Road,  
Pembroke, Bermuda.

*Head office and principal  
place of business:*

18th Floor, Paliburg Plaza,  
68 Yee Wo Street,  
Causeway Bay,  
Hong Kong.

20th June, 2002

*To the Shareholders,*

Dear Sirs,

### MAJOR TRANSACTION

### DISPOSAL OF THE REDHILL PROPERTY

#### INTRODUCTION

The Board announced the Disposal on 30th May, 2002. At the time of the Disposal, the Disposal constituted a major transaction for the Company. The purpose of this circular is to provide you with information relating to the Disposal.

#### THE TRANSACTION

Paliburg was owned as to approximately 59.2% by the Company as at the Latest Practicable Date and is a listed subsidiary of the Company. The Company and Paliburg, through their respective subsidiaries, are principally engaged in, among other things, property development and investment, property management, construction and construction-related businesses. As disclosed in the annual report of the Company for the financial year ended 31st December, 2001, Paliburg had arranged for a tender for the sale of the Redhill Property. Pursuant to the tender process, Real Charm, which owned the Redhill Property, accepted on 3rd May, 2002 a tender offer made by the Tenderer, the terms of which are more particularly set out under the paragraph headed "Principal terms of the Accepted

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## **LETTER FROM THE BOARD**

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Offer” below. The Memorandum was entered into by Real Charm and the Tenderer on 3rd May, 2002. Under the Nomination from the Tenderer, the Tenderer requested Real Charm to execute the assignment of the Redhill Property in favour of the Purchaser on completion of the Disposal.

The Redhill Property was an investment property wholly and beneficially held by Real Charm, a member of the Paliburg Group. The net book value of the Redhill Property based on the audited financial statements of Paliburg for the year ended 31st December, 2001 was approximately HK\$205 million. Total income generated from the Redhill Property for the two financial years ended 31st December, 2001 and 31st December, 2000 were approximately HK\$15.3 million and approximately HK\$14.7 million respectively.

The Disposal was completed on 4th June, 2002. It is estimated that a loss of approximately HK\$35.6 million will be recorded by the Company as a result of the Disposal.

Each of the Tenderer and the Purchaser is an independent third party not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined under the Listing Rules).

After the Disposal, the Group will continue to engage in property development and investment, property management, construction and construction-related businesses and hotel ownership and management businesses. Furthermore, if circumstances are considered appropriate, the Group will seek to be further involved in the information technology and telecommunications businesses and to explore other suitable business opportunities.

### **PRINCIPAL TERMS OF THE ACCEPTED OFFER**

Pursuant to the Accepted Offer, the Memorandum and the Nomination, Real Charm’s entire interest in the Redhill Property was sold to the Purchaser for a consideration of HK\$169,900,000 which has been settled in full. The Disposal was a transaction carried out in the ordinary and usual course of business of the Company and Paliburg.

The terms of the Disposal were determined after an arm’s length tender process.

### **REASONS FOR THE DISPOSAL**

The Company understands from the board of directors of Paliburg that the Disposal was aimed to improve the working capital position of the Paliburg Group. Part of the proceeds amounted to approximately HK\$76,494,000 from the Disposal were applied to repay the indebtedness of the Paliburg Group in relation to the Redhill Property. Part of the remaining proceeds amounted to approximately HK\$66,726,000 were used to repay certain other indebtedness of the Paliburg Group, with the balance of approximately HK\$26,680,000 for its general working capital. Details of such indebtedness are set out in the section headed “Indebtedness” in Appendix I to this circular.

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## LETTER FROM THE BOARD

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### GENERAL

At the time of the Disposal, the Disposal constituted a major transaction for the Company under the Listing Rules.

Approval of the shareholders of the Company was required for the Disposal. Mr. Lo and his associates (as defined under the Listing Rules), which together beneficially held approximately 54.2% of the voting rights of the Company as at the Latest Practicable Date, have issued a certificate approving the Disposal. Accordingly, no general meeting would require to be convened to approve the Disposal.

Your attention is drawn to the further information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Century City International Holdings Limited**  
**Lo Yuk Sui**  
*Chairman*

**Indebtedness**

As at the close of business on 30th April, 2002, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings (including overdue normal contractual interest payable but excluding default interest payable on the borrowings of the Group) of approximately HK\$11,637,115,000 comprising:

- (1) secured bank loans of approximately HK\$6,010,658,000;
- (2) unsecured bank loans of approximately HK\$297,071,000;
- (3) secured other loans of approximately HK\$1,243,775,000;
- (4) unsecured other loans of approximately HK\$369,492,000; and
- (5) convertible bonds and exchangeable bonds, including related premium and overdue interest, in the amount of approximately HK\$2,413,035,000 and approximately HK\$1,303,084,000, respectively.

As at the close of business on 30th April, 2002, the Group had contingent liabilities in respect of guarantees for bank loans made available to a jointly controlled entity and a third party, together with related overdue normal contractual interest payable, of approximately HK\$2,225,334,000 in aggregate.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, as at the close of business on 30th April, 2002, any outstanding bank loans and overdrafts, mortgages, charges, debentures and other loan capital, or similar indebtedness, finance leases or hire-purchase commitments, guarantees or other material contingent liabilities.

Subsequent to 30th April, 2002, the PHL Group has repaid secured and unsecured bank loans of, in aggregate, approximately HK\$143,220,000 out of the proceeds from the Disposal.

Save as disclosed herein, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30th April, 2002.

**Working capital**

Since October 1998, the CCIHL Group and the PHL Group have encountered liquidity problems and conducted discussions with their respective financial creditors for the purpose of implementing standstill arrangements in order to permit the CCIHL Group and the PHL Group to suspend the repayment of their outstanding indebtedness (the "Standstill Arrangements"). Informal Standstill Arrangements of the CCIHL Group and the PHL Group have been in operation since the formal Standstill Arrangements last expired on 31st October, 2000 and 30th September, 1999, respectively.

As noted in the Company's 2001 annual report, while continuing discussions have been maintained with the financial creditors of the CCIHL Group since 2000, no consensual debt



restructuring proposal has yet been agreed by the financial creditors. At the request of the financial creditors, the CCIHL Group has appointed another independent financial adviser to assist in the formulation of a consensual proposal for the restructuring of the terms of the CCIHL Group's outstanding indebtedness with its financial creditors (the "Debt Restructuring") in order to replace the existing informal Standstill Arrangement of the CCIHL Group.

The PHL Group has been conducting discussions with its financial creditors to replace the existing informal Standstill Arrangement with new bilateral facilities (the "Bilateral Facilities Arrangement") which have been concluded with a majority of the financial creditors. At the same time, the PHL Group continues to implement an orderly asset disposal programme, which includes the Disposal, to improve its financial position. The Regal Group has also adopted similar measures as further described below (collectively, the "Disposal Programmes").

In addition to the foregoing, the PHL Group is finalising the proposed settlement of its outstanding exchangeable bonds and convertible bonds (collectively, the "Bonds") which defaulted or cross defaulted in 2001 (the "Bonds Settlement"). The principal, interest and accrued redemption premium in respect of the Bonds outstanding as at 31st December, 2001 amounted to HK\$3,646.4 million. Details of the revised proposal for the Bonds Settlement were summarised in the announcement dated 26th April, 2002 made jointly by the Company, Paliburg and Regal. Certain major holders of the Bonds have agreed in principle to support the proposal. The completion of the Bonds Settlement is subject to, among others, the approvals by the bondholders and the respective shareholders of the Company and Paliburg.

Since 1998, certain of the Regal Group's loan covenants for the maintenance of certain financial ratios, as specified in certain loan agreements, have not been complied with. The total outstanding loans affected in this respect amounted to HK\$4,901.6 million as at 31st December, 2001, comprising a syndicated loan of HK\$3,822.1 million (the "Syndicated Loan") and a construction loan of HK\$1,079.5 million (the "Construction Loan") (collectively, the "Regal Loans").

In addition to the foregoing, certain principal repayment instalments of the Construction Loan and a term loan with outstanding principal as at 31st December, 2001 of CAD35.5 million (approximately HK\$174.2 million) made to a subsidiary company of Regal in Canada (the "Canada Loan") remained unpaid to date.

However, to date, no notice has been served by the agents who act on behalf of the lenders of the Regal Loans, nor a discretion has been exercised by the lender of the Canada Loan, to declare either loan immediately due and repayable.

With respect to the Canada Loan, which is secured by a pledge of a hotel property in Canada owned by the Regal Group, Regal has appointed an agent to sell the hotel property in Canada with a view to repaying the Canada Loan in full.

Pursuant to the terms of the loan agreement in respect of the Syndicated Loan, as supplemented by a letter dated 29th May, 2002 signed by the Regal Group, put options (the "Put Options") were granted to the respective lenders of the Syndicated Loan who may require the Regal Group to prepay

their respective participations in the remaining outstanding indebtedness on the option exercise date of 8th September, 2002, by serving a notice to the Regal Group at least 1 month before the option exercise date. To date, no notice to exercise the Put Options has been served by the lenders of the Syndicated Loan to the Regal Group.

As further noted in the Company's 2001 annual report, the Regal Group continues to hold discussions with the lenders of the Regal Loans with a view to securing their ongoing support. In April 2002, Regal appointed a financial adviser to assist in the discussions on a proposed restructuring of the Regal Loans, which would include a rescheduling of the principal repayments of the Regal Loans (the "Regal Loans Restructuring") in order to allow time and provide financial stability to the Regal Group to (i) improve the performance and hence the value of its core hotel assets; (ii) realise other non-hotel related receivables, including the US\$45.0 million (approximately HK\$351.0 million) deferred consideration plus interest in relation to the Regal Group's disposal of its hotel interests in the United States of America in 1999 (the "Consideration Receivable"); and (iii) implement an asset disposal programme and the Financing Arrangements as further detailed below.

With a view to improving its cash flow and profitability, the Regal Group is actively working on the disposal of certain of its hotel and other non-core assets under its Disposal Programme so that additional resources may be directed to its core hotel operations. Furthermore, the Regal Group is also considering other financing arrangements, including the raising of additional working capital through equity issues (the "Financing Arrangements").

On the bases that the Debt Restructuring, the Bonds Settlement, the Bilateral Facilities Arrangement, the Regal Loans Restructuring, the recovery of the Consideration Receivable and the Financing Arrangements will be successful, and the Disposal Programmes will continue to be successfully implemented, the Directors are of the opinion that the Group as a whole has sufficient working capital for its present requirements.

*The following is the text of a letter with valuation certificate, prepared for the purpose of inclusion in this circular, received from Vigers Hong Kong Limited, an independent property valuer, in connection with its valuation as at 30th April, 2002 of the Redhill Property.*

**Vigers Hong Kong Limited  
International Property Consultants**

Suite 1607-12  
Miramar Tower  
132 Nathan Road  
Tsimshatsui  
Kowloon  
Hong Kong



**VIGERS**  
威格斯

Date: 20th June 2002

The Board of Directors  
Century City International Holdings Limited  
Paliburg Holdings Limited  
18th Floor  
Paliburg Plaza  
68 Yee Wo Street  
Causeway Bay  
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interest of Redhill Plaza, as described in details in the valuation certificate enclosed in this letter, owned by Paliburg Holdings Limited and its subsidiaries (together referred to as the “Group”) as at 30th April 2002, we confirm that we have carried out an inspection, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of the value.

Our valuation is our opinion of the open market value and here we would define open market value as intended to mean — “the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation, assuming:-

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the owner sold the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of such property.

In valuing the property interest, we have adopted the investment approach which capitalizes the rent receivable from the existing tenancies and the potential reversionary market rent of the property interest, taking into account the market rental comparables in the open market.

We have relied to a considerable extent on information provided by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, rentals, site and floor areas and all other relevant matters. We have carried out searches at the Land Registry. However, we have not searched original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All dimensions, measurements and areas are approximate.

We have inspected the exterior of the property included in the attached valuation certificate. However, we have not carried out any structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible. We are therefore unable to confirm whether the property is free from rot, infestation or any other defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the property. We are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the property.

We have not undertaken a survey to determine whether the mechanical and electrical systems within the subject property (or the building or development in which it is located) will be adversely affected on or after the year 2000 and as such have assumed that the subject property and its systems will be unaffected.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We enclose herewith our valuation certificate.

Yours faithfully  
For and on behalf of  
**VIGERS HONG KONG LIMITED**  
**Joseph K P Leung**  
*MRICS AHKIS*  
*Registered Professional Surveyor*  
*Director*  
Valuation Department

*Note:* Mr. Joseph K P Leung is a Chartered Surveyor and Registered Professional Surveyor who has over 14 years experience in the valuation of properties in Hong Kong.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 30th April 2002
Redhill Plaza No. 3 Red Hill Road Tai Tam Hong Kong	The property comprises a 2-storey commercial building completed in 1996. The site area of the property is about 2,080 square metres (22,389 square feet).	As at 30th April 2002, the property was let to various tenants at various terms with lettable floor area of 257.98 square metres (2,777 square feet) remained vacant and the total monthly rental and licence fees for antennae receivable for the month of April 2002 amounted to HK\$1,217,091.00, exclusive of rates, management fees, air-conditioning charges, turnover rent and incomes from light boxes and car parking spaces.	HK\$180,000,000
Rural Building Lot No. 1066	The property has a total lettable floor area of about 3,350.18 square metres (36,061 square feet). Portion of the Ground Floor and the whole of First Floor are designated for retail and other commercial uses. Children play area and building services facilities are available on the roof level.	The licence fee generated from light boxes for the period from May 2001 to April 2002 was about HK\$66,636.00. The income receivable from car parking spaces for the same period was about HK\$132,049.00.	
	There are 21 car parking spaces on the Ground Floor of the property.		
	The property is held under the Conditions of Sale No. 12303 for a term of years commencing from 16th March 1994 to 30th June 2047. The current Ground Rent payable for the whole Lot is 3% of the rateable value of the Lot per annum.		

*Notes:*

1. As at 30th April 2002, the registered owner of the property was Real Charm Investment Limited which is a wholly owned subsidiary company of the Group.
2. The property is subject to a Certificate of Compliance.
3. As at 30th April 2002, the property was subject to a Debenture and Mortgage in favour of Union Bank of Hong Kong Limited (now known as Industrial and Commercial Bank of China (Asia) Limited).

## 1. Responsibility statement

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. Disclosure of interests

- (a) As at the Latest Practicable Date, the interests of the Directors in the equity or debt securities of the Company and its associated corporations (within the meaning of the SDI Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under Section 31 or Part I of the Schedule of the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, were as follows:

### (i) *Interests in shares*

	Name of Director	Class of shares held	Personal interests	Number of shares held		Total
				Family interests	Corporate interests	
1. The Company	Mr. Lo	Ordinary	543,344,843	—	1,395,994,246	1,939,339,089
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,510,000	—	—	2,510,000
	Mr. Jimmy Lo Chun To	Ordinary	1,659,800	—	—	1,659,800
	Mr. Ng Siu Chan	Ordinary	—	15,453,000	—	15,453,000
2. Paliburg	Mr. Lo	Ordinary	222,765	—	1,373,024,977 (Notes a & b)	1,373,247,742
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	100,000	—	—	100,000
	Mr. Jimmy Lo Chun To	Ordinary	284,000	—	—	284,000
	Mr. Ng Siu Chan	Ordinary	—	536,500	—	536,500

**APPENDIX III**
**GENERAL INFORMATION**

Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total
			Personal interests	Family interests	Corporate interests	
3. Regal	Mr. Lo	Ordinary	220,000	—	2,793,736,944 (Notes a & c)	2,793,956,944
		Preference	—	—	3,440 (Note a)	3,440
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,370,000	—	—	2,370,000
4. 8D International (BVI) Limited (“8D-BVI”)	Mr. Lo	Ordinary	—	—	1,000 (Note d)	1,000
5. 8D Matrix Limited (“8D Matrix”)	Mr. Lo	Ordinary	—	—	2,000,000 (Note e)	2,000,000
6. 8D International Limited (“8D”)	Mr. Lo	Ordinary	—	—	10,000 (Note f)	10,000
7. Argosy Capital Corporation	Mr. Lo	Ordinary	—	—	1,130,349 (Note a)	1,130,349
8. Century Win Investment Limited	Mr. Lo	Ordinary	—	—	9,000 (Note a)	9,000
9. Cheerjoy Development Limited (“Cheerjoy”)	Mr. Lo	Ordinary	—	—	(Note g)	(Note g)
10. Chest Gain Development Limited	Mr. Lo	Ordinary	—	—	7,000 (Note a)	7,000
11. Chinatrend (Holdings) Limited	Mr. Lo	Ordinary	—	—	7,500 (Note a)	7,500
12. Chinatrend (Nankai) Limited	Mr. Lo	Ordinary	—	—	85 (Note a)	85
13. Hanoi President Hotel Company Limited	Mr. Lo	Ordinary	—	—	75 (Note a)	75
14. Rapid Growth Holdings Limited	Mr. Lo	Ordinary	—	—	25,000 (Note a)	25,000
15. Talent Faith Investments Ltd.	Mr. Lo	Ordinary	—	—	50 (Note a)	50
16. Villawood Developments Limited	Mr. Lo	Ordinary	—	—	65 (Note a)	65
17. Wealth Link Investments Limited	Mr. Lo	Ordinary	—	—	1 (Note a)	1

*Notes:*

- (a) The shares were held through companies controlled by the Company, of which Mr. Lo is the Chairman and controlling shareholder.



- (b) Including the retained balance, i.e. 6,444,444 shares, (the “Retained Shares”) of the consideration shares agreed to be sold at HK\$4.50 per share for the acquisition of the remaining 51% shareholding interest in The New China Hong Kong Financial Services Limited (now known as Century City Financial Services Limited) by a wholly-owned subsidiary of the Company from a wholly-owned subsidiary of The New China Hong Kong Group Limited (the “NCHK Company”) pursuant to the conditional agreement dated 7th September, 1998 in respect of the said acquisition, which was completed on 17th September, 1998 (the “Completion Date”). The Retained Shares are retained by the Group until the first anniversary of the Completion Date in connection with the indemnity given by the NCHK Company under the said agreement.
- (c) A total of 494,707,200 shares were charged by a wholly-owned subsidiary of Paliburg in favour of a trustee, covering the exchange rights of the holders of the 3½% exchangeable guaranteed bonds due 2001 issued by another wholly-owned subsidiary of Paliburg. The exchangeable bonds were exchangeable into those existing ordinary shares of Regal during the period from 6th April, 1996 to 23rd April, 2001 (which period was extended by 90 days from 23rd January, 2001) at an adjusted effective exchange price of HK\$2.0144 per share (cum entitlements as provided in the relevant trust deed).
- (d) 400 shares were held through companies controlled by the Company and 600 shares were held through a company controlled by Mr. Lo.
- (e) 800,000 shares were held through companies controlled by the Company and 1,200,000 shares were held through companies controlled by Mr. Lo (including 8D-BVI).
- (f) 8D is a wholly-owned subsidiary of 8D Matrix.
- (g) A wholly-owned subsidiary of Paliburg holds 30% attributable shareholding interest in Cheerjoy through Point Perfect Investments Limited (“Point Perfect”) which is a 30% owned associate of such subsidiary. Point Perfect holds all the issued shares of Cheerjoy, i.e. 2 shares.

(ii) *Interests in share options granted by Paliburg*

Terms of option	Grantee	No. of shares under the share options	
		(I) Vested	(II) Unvested
Date of grant: 22/2/1994	Mr. Lo	(I) 3,650,000	
Exercise price per share: HK\$10.40		(II) 912,500 ( <i>Note 1(b)</i> )	
Vesting period: ( <i>Note 1</i> )	Mr. Kenneth Ng Kwai Kai	(I) 800,000	
Exercise period: ( <i>Note 1</i> )		(II) 200,000 ( <i>Note 1(b)</i> )	

*Note:*

1. Vesting/Exercise periods of options:

	<b>On completion of continuous service of</b>	<b>Initial/Cumulative percentage vesting</b>	<b>Initial/Cumulative percentage exercisable</b>
(a)	2 years after date of grant	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after date of grant)
(b)	3 years to 9 years after date of grant	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after date of grant))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after date of grant) upon vesting (exercisable until 10 years after date of grant))
(c)	9½ years after date of grant	100%	100% (exercisable until 10 years after date of grant)

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest in the securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of that Ordinance (including interests which they are taken or deemed to have under section 31 or Part I of the Schedule to that Ordinance) or which are required, pursuant to section 29 of that Ordinance, to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (b) As at the Latest Practicable Date, the following persons (not being a director or chief executive of the Company), so far as are known to any Director, were directly or indirectly interested in 10 per cent. or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the Company.

Name of shareholder	Number of shares held	Approximate percentage of the issued shares as at the Latest Practicable Date
Shui To Co., Limited ( <i>Note</i> )	440,269,831	12.31%
YSL International Holdings Limited ( <i>Note</i> )	931,998,340	26.06%

*Note:* These companies are controlled by Mr. Lo and their said shareholdings were included in the corporate interests of Mr. Lo in the Company as disclosed under the paragraph headed "Interests in shares" of the section entitled "Disclosure of interests" in this appendix.

Save as disclosed herein, there is no person known to the Directors who, as at the Latest Practicable Date, was, directly or indirectly, interested in 10 per cent. or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the Company or had any options in respect of such capital.

- (c) As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).
- (d) As at the Latest Practicable Date, Vigers Hong Kong Limited, the property valuer, is not interested either beneficially or non-beneficially in the securities of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any members of the Group.
- (e) The CCIHL Group is leasing space in Regal Hongkong Hotel from the Regal Group as staff quarters at a rental of approximately HK\$0.17 million per month. The Regal Group is also currently leasing various commercial spaces in Paliburg Plaza from the PHL Group at aggregate rentals of approximately HK\$0.64 million per month. Mr. Lo is deemed to be interested in the Regal Hongkong Hotel and Paliburg Plaza by virtue of his indirect interests, through the Company, in Paliburg and Regal respectively.

Save as disclosed above, none of the Directors nor Vigers Hong Kong Limited, the property valuer, is interested, directly or indirectly, in any assets which have been, since 31st December, 2001, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (f) Save as disclosed herein, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

### 3. Material contracts

- (a) A conditional subscription option agreement dated 15th August, 2000 entered into between the Company and Perfect Approach Technology Limited (now known as Century Digital Investments Limited) in relation to the possible acquisition of an interest in a company involved in information technology business in connection with a broadband network project in the People's Republic of China.
- (b) A share exchange agreement dated 18th February, 2002 entered into between, inter alia, the Company and Prism Communications International Limited ("Prism") for the allotment and issue of 250,000,000 new shares of the Company at HK\$0.10 each to a nominee of Prism in satisfaction of the consideration for the subscription by Expert Link Technology Limited, a wholly-owned subsidiary of the Company, for 10,000,000 ordinary shares of HK\$0.01 each in Prism. The Company was also granted a conditional option by Prism to subscribe for up to a further 30,000,000 ordinary shares in Prism, exercisable in full or in up to three instalments, at an exercise price of 25 new shares of the Company per Prism share, subject to certain adjustments.
- (c) A placing and underwriting agreement dated 21st February, 2002 entered into between Taylor Investments Ltd. ("Taylor"), a substantial shareholder of Regal and a wholly-owned subsidiary of Paliburg, and Uni-Alpha Securities Limited, a placing agent, for the placement of 150,000,000 issued ordinary shares of Regal to independent investors at HK\$0.14 per ordinary share.
- (d) A subscription agreement dated 21st February, 2002 entered into between Regal and Taylor for the subscription by Taylor of 90,000,000 new ordinary shares of Regal at HK\$0.14 per ordinary share.
- (e) A standstill agreement dated 26th April, 2002 entered into between Paliburg and certain major holders of its convertible bonds. In consideration of the entering into of the standstill agreement, Paliburg agreed to create first fixed charges over, among other things, the entire issued share capitals of Master Portrait Limited and Soaring Star Investments Limited, both being indirect wholly-owned subsidiaries of Paliburg and indirectly owning two investment properties of the Paliburg Group, namely the Kowloon City Plaza and the Paliburg Plaza, respectively, in favour of the holders of exchangeable bonds and convertible bonds of the PHL Group.
- (f) The Accepted Offer, the Memorandum, the Nomination and the subsequent assignment of the Redhill Property.

Save for disclosed above, no member of the Group has entered into any contracts, not being contracts entered into in the ordinary course of business, which are or may be material, within the two years preceding the date of this circular.

#### 4. Qualification of expert

The following is the qualification of the expert who has given an opinion or advice which is contained in this circular:

Name	Qualification
Vigers Hong Kong Limited	Property valuer

#### 5. Consent of expert

Vigers Hong Kong Limited, the property valuer, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

#### 6. Litigation

- (a) Pursuant to an escrow agreement (the “Escrow Agreement”) dated 30th October, 1994 entered into between the then shareholders of The New China Hong Kong Highway Limited (“NCHKH”), approximately 12.6% of the shares in NCHKH (the “Escrow Shares”) then held and registered in the name of The NCHK Highway (Chengdu Mianyang) Limited (“NCHKCM”) were deposited with an escrow agent to be held under the terms of the Escrow Agreement as a means of ensuring, inter alia, the timely completion of the Chengdu Mianyang Expressway, an expressway owned by a sino-foreign co-operative joint venture in which NCHKH has a 60% joint venture interest. In January 1999, the Company disposed of its entire interest in Evercheer Holdings Limited (“Evercheer”) to Crux Assets Limited (“Crux”), a wholly-owned subsidiary of Shenyin Wanguo (H.K.) Limited (“Shenyin”). Evercheer wholly owned NCHKCM, which in turn held 34.44% equity interest in NCHKH at the relevant time. As part of the terms of the disposal, the Company entered into a deed of indemnity dated 30th December, 1998 (the “Deed of Indemnity”) under which it agreed to indemnify Crux and Evercheer for any diminution in value of the share(s) of Evercheer or NCHKCM in the event that the Escrow Shares were distributed to the shareholders of NCHKH. As a result of 65.56% of the Escrow Shares (“Distributed Escrow Shares”) having been distributed among the shareholders of NCHKH other than NCHKCM in or about July 1999, Crux claimed against the Company an amount equivalent to about HK\$93,500,000 plus interest under the Deed of Indemnity. In May 2000, a settlement agreement was entered into between the Company and Crux in settlement of Crux’s claim under the Deed of Indemnity. Based on legal advice obtained, the Company believes that there are strong grounds to contest the aforesaid distribution of the Distributed Escrow Shares as being wrongful and in breach of the Escrow Agreement. The Company intends to take legal action against the relevant parties for the recovery of the Distributed Escrow Shares (in specie or value) in due course.
- (b) Pursuant to the terms of the securities purchase agreement dated 18th November, 1999 (the “SP Agreement”) entered into between the Regal Group and the purchaser (the “Purchaser”) in connection with the disposal by the Regal Group of its hotel interests in the United States of America (the “Disposal”), a deferred consideration of US\$45.0 million (approximately

HK\$351.0 million) (the “Deferred Consideration”) and interest accrued thereon at 7% per annum (collectively, the “Consideration Receivable”) was due to be paid by the Purchaser on the second anniversary of the completion date of the Disposal, i.e. on 17th December, 2001.

The SP Agreement contained certain indemnifications given by the Regal Group which cover, inter alia, liabilities arising from third party claims relating to events/conditions which existed prior to the completion of the Disposal (the “Pre-closing Liabilities”). The Regal Group has been notified by the Purchaser of certain indemnity claims, allegedly related to Pre-closing Liabilities for third party legal claims, indemnifiable by the Regal Group under the SP Agreement. The Purchaser also alleges that the aggregate amount of these potential claims exceeds the Deferred Consideration and has withheld payment of the Consideration Receivable to the Regal Group. The Regal Group has retained an independent law firm to review the litigation cases in respect of the third party claims and the related indemnity claims made by the Purchaser. Based on the advice obtained from the independent law firm, the Regal Group considers that (i) the majority of the underlying legal claims are either weak in their grounds, or are likely to be settled for amounts considerably less than the amounts claimed by the plaintiffs in the litigation cases; and (ii) in any event, a certain portion of the Consideration Receivable should be settled by the Purchaser regardless of the outstanding third party claims in relation to the Pre-closing Liabilities. The Regal Group is currently consulting with its legal advisers to initiate appropriate recovery action against the Purchaser.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim known to the Directors to be pending or threatened by any member of the Group which in the opinion of the Directors would be or is likely to be of material importance.

#### **7. General**

- (a) The head office and principal place of business of the Company is located at 18th Floor, Paliburg Plaza, 68 Yee Wo Street, Causeway Bay, Hong Kong. The registered office of the Company is located at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (b) The branch share registrar of the Company in Hong Kong is Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong.
- (c) The secretary of the Company is Ms. Eliza Lam Sau Fun, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text.

**8. Documents available for inspection**

Copies of the following documents will be available for inspection at 18th Floor, Paliburg Plaza, 68 Yee Wo Street, Causeway Bay, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 6th July, 2002:

- (a) the memorandum of association and new bye-laws of the Company;
- (b) the material contracts referred to in the section headed “Material contracts” in this appendix;
- (c) the 2000 and 2001 annual reports of the Company containing, among other things, the audited accounts of the Group for the two respective financial years ended 31st December, 2000 and 31st December, 2001;
- (d) the letter and valuation certificate from Vigers Hong Kong Limited, the property valuer, the text of which is set out in appendix II to this circular; and
- (e) the written consent of Vigers Hong Kong Limited, the property valuer, referred to in the section headed “Consent of expert” in this appendix.