
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in **Regal Hotels International Holdings Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF SPECIAL GENERAL MEETING

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Regal Hotels International Holdings Limited. The directors of Regal Hotels International Holdings Limited collectively and individually accept full responsibility for the accuracy of the information contained in this document 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.

A notice convening a special general meeting of Regal Hotels International Holdings Limited to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 16th June, 2005 at 11:15 am (or so soon after the Annual General Meeting of Regal Hotels International Holdings Limited convened to be held at the same place on the same date shall have been concluded or adjourned) is set out on pages 18 and 19 of this circular. If you are not able to attend the meeting, please complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the office of the branch registrar of Regal Hotels International Holdings Limited in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and, in any event, by not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

31st May, 2005

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

“Adoption Date”	means the date that the Scheme is adopted by ordinary resolution passed by the Shareholders at the SGM;
“Associate”	has the meaning given in Chapter 1 of the Listing Rules;
“Auditors”	means the auditors of the Company from time to time;
“Board”	means the board of directors of the Company (and, where appropriate, includes any committee or delegate of the Board appointed by the Board to perform any of its functions);
“Board Lot”	means the board lot in which Shares are traded on the Stock Exchange from time to time, being 2,000 Shares as at the Adoption Date;
“Business Day”	means any day on which the Stock Exchange is open for the business of dealing in securities;
“Century City”	means Century City International Holdings Limited, a company incorporated in Bermuda with limited liability and whose ordinary shares are listed on the Stock Exchange with stock code 355;
“Century City Group”	means Century City and any of its subsidiaries (as defined in the Companies Act 1981 of Bermuda as amended from time to time) or affiliates (but excluding the Paliburg Group), which holds approximately 54.7% of the issued ordinary share capital of Paliburg as at the Latest Practicable Date;
“Company”	means Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Stock Exchange with stock code 78;
“Conditional Grant”	means the Options proposed to be granted to Mr. Lo, the Chairman of the Board and Managing Director and a Substantial Shareholder of the Company, as more fully described in the Letter from the Board contained in this circular;
“Contract”	means in relation to an employee or a Director, his contract of employment or service contract with his employer (as amended from time to time), whether or not such contract is written or oral and comprised in one or more documents;
“Connected Person”	has the meaning given in the Listing Rules;

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“Director”	means a director of any Member of the Group;
“Eligible Employee”	means an employee or a Director holding salaried office or employment under a Contract with a Member of the Group;
“Eligible Person”	means any person who is (or will be on and following the Offer Date) either: <ul style="list-style-type: none">(i) an Eligible Employee;(ii) a non-executive Director (including any Independent Non-Executive Directors);(iii) a direct or indirect shareholder of any Member of the Group;(iv) a person or entity that provides advisory, consultancy, professional or other services to any Member of the Group;(v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any Member of the Group;(vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or(vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants; who is notified by the Board that he is an Eligible Person;
“Employer”	means in relation to an Eligible Employee, the Member of the Group which employs or has appointed him under his Contract;
“Exercise Price”	means in respect of any Option the price determined by the Board in accordance with the Listing Rules and notified to an Option-holder;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Non-Executive Director”	means, in relation to any company, a person who is an independent non-executive director of that company within the meaning of Rule 3.11 of the Listing Rules;

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“Independent Shareholders”	means the Shareholders other than Mr. Lo and his Associates and other Shareholders who are Connected Persons of the Company;
“Latest Practicable Date”	means 26th May, 2005 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listed Parent(s)”	means any holding companies (as defined under the Listing Rules) of the Company from time to time, whose shares are listed on the Stock Exchange;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;
“Member of the Group”	means: <ul style="list-style-type: none">(i) the Company;(ii) the Listed Parents and any of its subsidiaries (as defined in the Companies Act 1981 of Bermuda as amended from time to time) or affiliates;(iii) the Century City Group;(iv) the Paliburg Group; and(v) any holding company, subsidiaries or affiliates of the Company (as defined in the Companies Act 1981 of Bermuda as amended from time to time) or other companies which the Board determines will be subject to the Scheme;
“Mr. Lo”	means Mr. Lo Yuk Sui, the Chairman of the Board and the Managing Director and a Substantial Shareholder of the Company;
“Offer Date”	means, in relation to an Option, the date on which an Eligible Person is offered such Option pursuant to paragraph 2 of Appendix I to this circular which must be a Business Day;
“Option”	means a right granted under the Scheme to subscribe for Shares in accordance with the Scheme;
“Option-holder”	means a person holding an Option (and, where relevant, includes his/her personal representatives);

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“Option Period”	means, in relation to an Option, the period (which is notified at the Offer Date and as set out in the option certificate) during which the Option may be exercised, such period not to exceed the period of 10 years from the Offer Date of such Option;
“Other Scheme”	means any other share option scheme involving the grant by the Company or any of its subsidiaries of options over new securities issued by the Company or any of its subsidiaries established by the Company or any of its subsidiaries in accordance with Chapter 17 of the Listing Rules (whether or not before 1st September, 2001) or any other share option scheme which is determined by the Stock Exchange to be analogous to a share option scheme as described in Chapter 17 of the Listing Rules;
“Paliburg”	means Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and whose ordinary shares are listed on the Stock Exchange with stock code 617;
“Paliburg Group”	means Paliburg and any of its subsidiaries (as defined in the Companies Act 1981 of Bermuda as amended from time to time) or affiliates, which holds approximately 44.9% of the issued ordinary share capital of the Company as at the Latest Practicable Date;
“PRC”	means the People’s Republic of China (other than Hong Kong);
“Rules”	means the Rules of the Scheme as amended from time to time;
“Scheme”	means the new share option scheme of the Company known as “The Regal Hotels International Holdings Limited Share Option Scheme” to be adopted by the Shareholders on the Adoption Date;
“SGM”	means the special general meeting of the Company to be held on 16th June, 2005, a notice in respect of which is set out on pages 18 and 19 of this circular;
“Shareholders”	means the holders of the Shares;
“Shares”	means ordinary shares of HK\$0.01 each in the capital of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“Substantial Shareholder”	has the meaning given in the Listing Rules.

LETTER FROM THE BOARD



Directors:

LO Yuk Sui (*Chairman and Managing Director*)
Francis CHOI Chee Ming (*Vice Chairman*)#
Donald FAN Tung
Alice KAN Lai Kuen*
Tommy LAM Chi Chung
Jimmy LO Chun To
LO Po Man
Kenneth NG Kwai Kai
NG Siu Chan*
Kai Ole RINGENSON#
WONG Chi Keung*
Belinda YEUNG Bik Yiu

* *Independent Non-Executive Directors*

Non-Executive Directors

*Head office and principal place of
business:*

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

31st May, 2005

*To the Shareholders and, for information only,
to the Warrantholders of the Company*

Dear Sir or Madam,

ADOPTION OF NEW SHARE OPTION SCHEME AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

As the previous share option scheme of the Company has terminated since 27th June, 2000, the Board proposes to set up the Scheme in order to enable the Company to retain, incentivise, compensate, and/or attract the Directors, executives and employees of any Member of the Group and/or other personnel who have contributed or may contribute to the long term success of the business of the Company by offering them an opportunity to participate in the equity interest of the Company. Under the Scheme, Options to subscribe for Shares may be offered to Eligible Persons.

Given the on-going support provided to the Company by the directors and employees of the Century City Group and the Paliburg Group and the shareholding relationship between Century City,

LETTER FROM THE BOARD

Paliburg and the Company, the Directors of the Company are of the view that it will be in the best interests of the Company if it has the flexibility to grant Options to directors and employees of both the Century City Group and the Paliburg Group who have devoted or may devote a material amount of time and efforts to the business and affairs of the Company. The definition of Member of the Group contained in the Scheme is therefore defined to include companies under both groups.

The Directors of the Company recommend to Shareholders to approve at the SGM the adoption of the Scheme, the principal terms of which are set out in Appendix I to this circular. The purpose of this circular is to provide you with information on the proposed adoption of the Scheme.

SUMMARY OF THE RULES OF THE SCHEME

Set out on pages 9 to 16 of this circular are the principal terms of the Scheme under which the maximum number of Shares which might be allotted and issued upon exercise of all options granted under the Scheme and any Other Schemes could represent up to 10% of the issued ordinary share capital of the Company on the Adoption Date, which maximum number may however be refreshed as detailed in paragraph 6 of Appendix I to this circular.

CONDITIONS OF THE SCHEME

The Scheme is conditional upon the approval by the Shareholders of the Scheme at the SGM, and the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be allotted and issued by the Company upon the exercise of any Options to be granted under the Scheme.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be allotted and issued upon the exercise of the Options to be granted under the Scheme.

VALUES OF ALL OPTIONS THAT CAN BE GRANTED UNDER THE SCHEME

The Directors of the Company consider that it is not appropriate to state the value of all Options that can be granted under the Scheme as if they had been granted at the Latest Practicable Date. The Directors consider that any statement regarding the value of the Options as at the Latest Practicable Date will not be meaningful to the Shareholders considering the number of variables that will be unknown as of that date which are crucial to calculating the value of such Options. Such variables include the Exercise Price, vesting conditions, lapse conditions, period for which the Options are granted, and other relevant variables such as when the Options may lapse or be cancelled prior to the normal expiry of the Option Period on the happening of certain events specified in the Rules and summarised below (for example, death, disability or retirement of the Option-holder or as a result of a general offer or winding up of the Company) which are not predictable or within the control of the Company. The Board believes it is meaningful for Shareholders to be aware of the maximum number of Shares that may be subject to Options under the Scheme and this information is set out in paragraph 6 of Appendix I to this circular.

LETTER FROM THE BOARD

GENERAL

The Shares and the Warrants of the Company expiring in 2007 are listed on the Stock Exchange and the 5¼% Convertible Cumulative Redeemable Preference Shares of the Company are listed on the Luxembourg Stock Exchange.

None of the Directors of the Company are appointed as trustees of the Scheme, nor do any of them have a direct or indirect interest in the trustees of the Scheme.

PROPOSAL TO GRANT OPTIONS TO A SUBSTANTIAL SHAREHOLDER

On 12th May, 2005, the Independent Non-Executive Directors of the Company approved the Conditional Grant of Options to Mr. Lo, who is the Chairman of the Board and the Managing Director and a Substantial Shareholder of the Company, which is subject to the Scheme becoming unconditional and the approval of such grant by the Independent Shareholders on the terms and conditions described below. The Conditional Grant would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to Mr. Lo in the 12-month period up to and including the date of grant: (a) representing in aggregate over 0.1% of the Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million. Mr. Lo does not hold at present any outstanding options under any Other Schemes. The approval of the Independent Shareholders is sought in relation to the Conditional Grant.

The total number of Shares which may be issued on the exercise of Options to be granted to Mr. Lo is 200,000,000 Shares, representing approximately 2.39% of the issued ordinary share capital of the Company as at the Offer Date of the Conditional Grant. The vesting period of the Options under the Conditional Grant will be as follows:

- 2 years after the Offer Date — 40% of Options granted
- 3 years after the Offer Date — a further 20% of Options granted
- 4 years after the Offer Date — a further 20% of Options granted
- 5 years after the Offer Date — the final 20% of Options granted

The Option Period for the Options under the Conditional Grant will be six years from the Offer Date of the Conditional Grant.

The grant and exercise of Options are not subject to any performance conditions. Pursuant to the provisions of the Scheme, Mr. Lo is not required to pay for the grant of the Options.

The Exercise Price for the Options granted to Mr. Lo will be HK\$0.75 per Share, which is fixed in accordance with the provisions of the Scheme and rule 17.03(9) of the Listing Rules, and represents (i) approximately 10.29% premium to the closing price of the Shares on the date the Conditional Grant was approved by the Board, (ii) approximately 7.45% premium to the average closing price of the Shares for the five Business Days immediately preceding such approval date and (iii) approximately 17.19% premium to the closing price of the Shares on the Latest Practicable Date.

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No dividends will be payable and no voting rights will be exercisable in relation to any Option granted to Mr. Lo that has not been exercised. Shares issued on the exercise of the Options will rank equally in all respects with the Shares in issue on the date of exercise. Such Options will not rank for any rights attaching to Shares by reference to a record date preceding the date of exercise.

As at the Latest Practicable Date, Mr. Lo's shareholding in the Company (direct shareholding and through his Associates but excluding Century City Group and Paliburg Group) was approximately 0.03%. Mr. Lo will, on the exercise of the Options, comply with the general offer requirement under the Hong Kong Code on Takeovers and Mergers as applicable at that time.

Mr. Lo and his Associates and other Shareholders who are Connected Persons of the Company will abstain from voting in favour of the resolution in relation to the approval of the Conditional Grant at the SGM.

Having regard to the long-term and continuing contribution by Mr. Lo to the Company, which is critical to the Company's future success, the Independent Non-Executive Directors of the Company recommend to the Independent Shareholders to approve the Conditional Grant at the SGM.

NOTICE OF SPECIAL GENERAL MEETING

The Notice of the SGM to be held to consider and approve the Scheme and the Conditional Grant is contained in pages 18 and 19 of this circular and details relating to the procedures of voting by poll at general meetings of the Company are set out in Appendix II to this circular.

In accordance with the requirements of the Listing Rules, the Company will publish in the newspapers an announcement on the outcome of the SGM on the Business Day following the date of the SGM.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Scheme will be available for inspection at the offices of Linklaters, 10/F Alexandra House, 16-20 Chater Road, Hong Kong during normal business hours on any Business Day up to and including 16th June, 2005 and the SGM.

Yours faithfully,
By Order of the Board
Eliza Lam Sau Fun
Secretary

The following is a summary of the principal terms of The Regal Hotels International Holdings Limited Share Option Scheme (the “Scheme”) to be adopted by Regal Hotels International Holdings Limited (the “Company”) on 16th June, 2005:

1 Purpose

The purpose of the Scheme is to provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

2 Who May Join

The Board may offer to grant to any Eligible Person an Option to subscribe for such number of Shares at the Exercise Price as the Board may determine from time to time, subject always to any limits and restrictions specified in the Rules. Options may only be granted under the Scheme in respect of Shares in Board Lots.

3 Payment on Acceptance of Option Offer

Option-holders are not required to pay for the grant of an Option.

4 Terms of Options

Options granted under the Scheme are subject to such terms and conditions as may be determined by the Board and specified in the offer of Option which may include:

- (i) vesting conditions which must be satisfied before an Option-holder’s Option shall become vested and capable of exercise; and
- (ii) lapse conditions which may be different from those set out at paragraphs 9, 10, 11, 12 and 14 below.

These provisions will give the Board flexibility to impose conditions suitable for fulfilling the various purposes of the Scheme. Apart from this general discretion of the Board, the Rules do not contain specific provisions for the minimum period which an Option must be held before exercise or for performance targets or conditions applicable to Options. The Board considers it more beneficial to the Company to retain the flexibility to determine when such conditions are appropriate. The Board believes that the Exercise Price as well as such other terms as may be determined by the Board will serve to protect the value of the Company as well as to achieve the purpose of the Scheme.

5 Exercise Price

The Exercise Price will be determined by the Board (subject to any necessary consent or approval being obtained) and notified to an Option-holder and shall not be less than the higher of (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the Offer Date; (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

6 Maximum Number of Shares Subject to the Scheme

The total number of Shares which may be issued and to be issued upon exercise of all Options to be granted under the Scheme and any options to be granted under any Other Scheme must not in aggregate exceed 10% of the Shares of the Company in issue as at the Adoption Date.

With the approval of the Shareholders, the Board may “refresh” the 10% limit provided that the total number of Shares which may be issued upon the exercise of all Options to be granted under the Scheme and any options to be granted under any Other Scheme under the limit as “refreshed” shall not exceed 10% of the Shares of the Company in issue at the date on which the Shareholders approve the “refreshed” limit in general meeting. Options previously granted under the Scheme and any Other Schemes (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”.

In addition, the limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and not yet exercised under the Scheme and any Other Schemes to Eligible Persons must not exceed 30% of the Shares of the Company in issue from time to time.

The Board may, with the approval of the Shareholders, grant Options in excess of the 10% limit to Eligible Persons specifically identified before Shareholders' approval is sought. In such situation, the Company will send a circular to the Shareholders containing a generic description of the specified Eligible Persons who may be granted such Options, the number and terms of such Options to be granted and the purpose of granting such Options to the specified Eligible Persons with an explanation of how the terms of the Options will serve the purpose. As at the Latest Practicable Date, the Board has no intention of granting Options over this 10% limit.

The Board shall not grant any Options (the “Relevant Options”) to any Eligible Person which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all Options (including both exercised and outstanding Options) granted to him in the 12 month period up to and including the Offer Date of the Relevant Options, exceed 1% of the Shares in issue at such date.

The Board may grant Options to any Eligible Person in excess of the individual limit of 1% in any 12 month period to Eligible Persons specifically identified with the approval of the Shareholders in general meeting (with such Eligible Person and his or her Associates abstaining

from voting in favour). In such situation, the Company will send a circular to the Shareholders and the circular must disclose the identity of the Eligible Person, the number and terms of the Options to be granted (and previously granted to such Eligible Person). Save for the Conditional Grant, the Board has no current intention of granting Options over this 1% limit as at the Latest Practicable Date.

As at the Latest Practicable Date, the total number of issued Shares in the Company was 8,375,447,058 Shares. The total number of Shares which may be issued on the exercise of Options to be granted under the Scheme which represents 10% of the number of total issued Shares as at the Latest Practicable Date is 837,544,705 Shares. As at the Latest Practicable Date, the Company has outstanding options in respect of 1,080,000 Shares granted under Other Scheme, and, of those, 864,000 have vested and 216,000 are unvested. The exercise price of such outstanding options is HK\$2.1083 per Share.

7 Time of Exercise of Option

Subject to the provisions in paragraphs 9 to 14 below, an Option under the Scheme which is vested and has not lapsed may be exercised in accordance with the Rules at any time prior to the expiry of 10 years (or less as the case may be) from the Offer Date. The exercise of Options may also be subject to any conditions imposed by the Board at the time of offer (see paragraph 4 above).

8 Non-transferability of Options

Except for the transmission of an Option on the death of an Option-holder to his/her personal representatives, neither the Option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any Option-holder to any other person. If an Option-holder transfers, assigns or disposes of any such Option or rights, whether voluntarily or involuntarily, then the relevant Option will immediately lapse.

9 Rights on Ceasing Employment or Other Engagement

If an Option-holder ceases to be an Eligible Employee for any reason other than death, disability, retirement, resignation, redundancy or certain other grounds specified in the Rules, then any outstanding offer of an Option and all vested and unvested Options will lapse on the date the Option-holder ceased to be an Eligible Employee.

10 Rights on Death, Disability and Retirement

If an Option-holder ceases to be an Eligible Employee by reason of his death, disability or retirement, then any outstanding offer of an Option which has not been accepted and any unvested Option will lapse and the Option-holder or his personal representatives (if appropriate) may exercise all his vested Options as at the date of cessation as an Eligible Employee within a period of 6 months thereafter. The Board may in its absolute discretion extend such 6 month period by up to a maximum of a further 6 months. Any vested Option not exercised prior to the expiry of the above-mentioned periods shall lapse.

11 Rights on a General Offer

If as a result of any general offer made to the Shareholders, more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror, any company controlled by the offeror or any person associated with or acting in concert with the offeror, the Board will notify every Option-holder of this within 14 days of becoming so aware (or as soon as practicable) and each Option-holder will be entitled to exercise his vested and unvested Options during the period until 1 month after the later of (i) the date of the Board's notification to the Option-holders; and (ii) the date on which the person making the offer obtains control of the Company. The Options will only lapse on expiry of such period if the Board gives notice to the Option-holder before the end of the period specifying that the Options will lapse.

12 Rights on Winding Up

If notice is duly given of a resolution for the voluntary winding-up of the Company, vested Options may be exercised within 3 months after the date of the resolution, provided that such exercise and the issue or transfer of any Shares is authorised by the liquidator and/or the court (as appropriate). Any vested Options not exercised during the 3 month period and all unvested Options will lapse at the end of the period. If the Company is wound-up by the court, vested Options may be exercised within 3 months after the date of the winding-up order, provided that such exercise and the issue or transfer of any Shares is authorised by the liquidator or the court (as appropriate). Any vested Options not exercised during the 3 month period and all unvested Options will lapse at the end of the period.

13 Reorganisation of Capital Structure

In the event of capitalisation of profits or reserves, rights issues of Shares, consolidation or subdivision of Shares or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital in satisfaction of a dividend in accordance with applicable laws or an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to (i) the number of Shares, the subject matter of the Option (insofar as it is unexercised); and/or (ii) the price at which the Options are exercisable.

Any such adjustment shall be made on the basis that (i) the proportion of the issued share capital of the Company to which an Option-holder is entitled after such adjustment shall remain the same as that to which he was entitled before such adjustment; and (ii) it will not enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of the Company for which any Option-holder would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustments; and (iii) that the Auditors or independent financial adviser selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to Rule 17.03(13) of the Listing Rules, except where such adjustment is made on a capitalisation issue.

14 Lapse of Options

An Option will lapse on the earlier of:

- (i) the expiry of the Option Period; or
- (ii) expiry of any of the other periods referred to in paragraphs 9, 10, 11 and 12; or
- (iii) expiry of 3 months following a court order sanctioning a compromise or arrangement in relation to the reconstruction of the Company or its amalgamation with another company or companies unless the Board cancels or replaces the Options or otherwise determines that the Option shall (subject to any adjustment) remain unaffected by such compromise or arrangement; or
- (iv) expiry of 1 month following the Option-holder's resignation or in circumstances of redundancy; or
- (v) the date on which the Board exercises the Company's right to cancel the Options on the Board determining that an Option-holder (including an Option-holder whose Options continue to subsist even though he has ceased to be an Eligible Employee) is (a) guilty of misconduct justifying termination of his employment or appointment for cause; (b) was in breach of a material term of his contract of employment (or other contract or agreement related to his appointment); or (c) has disclosed trade secrets or confidential information of a Member of the Group; or
- (vi) following a breach of the Rules summarised in paragraph 8 above; or
- (vii) in relation to any Option-holder who is not an Eligible Employee, the Board may specify at the Offer Date any circumstances in which the Option may lapse.

15 Ranking of Shares

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to an Option that has not been exercised. Shares issued on the exercise of an Option will rank equally in all respects with the Shares in issue on the date of exercise. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of exercise.

16 Cancellation of Options

Notwithstanding any other provision in this Scheme, the Board may cancel any Option provided that: (i) the Company pays to the Option-holder an amount equal to the fair market value of the Option at the date of cancellation as determined by the Board, after consultation with the Auditors or an independent financial adviser appointed by the Board; or (ii) the Board offers to grant to the Option-holder replacement Options (or options under any Other Scheme) of

equivalent value to the Options being cancelled as determined by the Board, after consultation with the Auditors or an independent financial adviser appointed by the Board (subject to the limits described in paragraph 6 above); or (iii) the Board makes such arrangements as the Option-holder may agree to compensate him for the loss of the Option.

17 Amendments to the Scheme and Terms of Options

The Board may amend any of the provisions of the Scheme and the terms of any Options (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any Option-holder at that date) and provided that amendments to the Scheme which are to the advantage of present or future Option-holders and which relate to matters contained in Rule 17.03 of the Listing Rules are required to be sanctioned by the Shareholders in general meeting. Any amendments to the terms and conditions of the Scheme which are of a material nature or any material change to the terms of Options granted may only be made with the approval of the Shareholders save where the amendments take effect automatically under the existing terms of the Scheme. The amended terms of the Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any amendment of the Rules may only be made with the approval of the Shareholders in general meeting.

18 Termination of the Scheme

The Board may terminate the Scheme at any time by resolving that no further Options shall be granted under the Scheme. In such circumstances, no new offers to grant Options under the Scheme will be made and any Options which have been granted under the Scheme but not yet exercised shall either (i) continue to be subject to the Rules (which shall remain in full force and effect to the extent necessary to give effect to such Options); or (ii) be cancelled in accordance with the provisions described in paragraph 16 above. The Scheme will automatically terminate on expiry of the period of the Scheme as set out in paragraph 19 below. The Scheme may be terminated at any time with the approval of the Shareholders of the Company. Following the termination of the Scheme, (i) no new offers to grant Options under the Scheme will be made and (ii) Options which have been previously granted but not yet exercised shall continue to be valid and exercisable in accordance with the Rules.

19 Period of the Scheme

Subject to the Board exercising its right under the Rules to terminate the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted. Therefore, the Scheme is expected to expire on 16th June, 2015. The provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior to expiry of the 10 year period and which are at that time or become thereafter capable of exercise under the Rules, or otherwise to the extent as may be required in accordance with the provisions of the Scheme.

20 Conditions

The Scheme is conditional on (i) the passing of the necessary resolution by the Shareholders of the Company; and (ii) the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued pursuant to Options under the Scheme.

21 Restrictions on the Time of Grant of Option

A grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's results for any year, half-year, quarterly or any other interim period whether or not required under the Listing Rules; and (ii) the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period whether or not required under the Listing Rules, and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

22 Restrictions on Grant

Each grant of Options to an Eligible Person who is a Director (including an Independent Non-Executive Director), chief executive or Substantial Shareholder of the Company, or any of their respective Associates, under the Scheme and any Other Schemes must be approved by the Independent Non-Executive Directors of the Company (excluding any Independent Non-Executive Director who is the proposed grantee of the Options).

Where any grant of Options to a Substantial Shareholder or an Independent Non-Executive Director of the Company, or any of their respective Associates, would result in the Shares issued and to be issued upon exercise of all Options already granted or to be granted under the Scheme (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) (where the securities are listed on the Stock Exchange) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of Options by the Board must be approved by the Shareholders in general meeting (the vote on such approval to be taken on a poll) and, where the Company has Listed Parents, by the shareholders of the Listed Parent(s) in general meeting. Any Shareholder who is a Connected Person of the Company must abstain from voting in favour of the resolution to approve such grant of Options.

Where any grant is made under this paragraph, the Exercise Price shall be the price determined by the Board and notified to an Option-holder which shall not be less than the higher of: (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date on which the offer to grant such Options is approved by the Board (the "Board Approval Date") (or where that is not a Business Day, the last Business Day prior to the Board Approval Date); (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Board Approval Date; and (iii) the nominal value of the Shares.

23 Administration

The Board or a duly constituted committee of the Board will have responsibility for administering the Scheme. In addition, the Board may appoint an administrator or administrators in relation to the Scheme (or certain aspects thereof) on such terms as the Board may determine. As at the Latest Practicable Date, there are no arrangements in place in this regard.

24 Listed Parents

Where any matters under the Scheme require the approval of the Independent Non-Executive Directors or the Shareholders, the approval of the Independent Non-Executive Directors of the Company or the shareholders of the Listed Parent(s) (if any) must also be obtained where such approval is required under Chapter 17 of the Listing Rules. As at the Latest Practicable Date, the Company does not have a Listed Parent.

APPENDIX II PROCEDURES OF VOTING BY POLL AT GENERAL MEETINGS

Pursuant to the Bye-laws of the Company, the procedures of voting by poll on the resolutions to be put forth for Shareholders' approval at the SGM of the Company are as follows:

- (1) According to Bye-law 78, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:
 - (a) by the Chairman of the meeting; or
 - (b) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
 - (c) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
 - (d) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.
- (2) According to Bye-law 79, if a poll is demanded as aforesaid under Bye-law 78, it shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was demanded, as the Chairman of the meeting directs. No notice need to be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn, with the consent of the Chairman of the meeting, at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

NOTICE OF SPECIAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that a special general meeting of Regal Hotels International Holdings Limited (the “Company”) will be held at the Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 16th June, 2005 at 11:15 a.m. (or so soon after the Annual General Meeting of the Company convened to be held at the same place on the same date shall have been concluded or adjourned) for the purpose of considering, and if thought fit, passing the following resolutions, which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTION NO. 1

“THAT:

- (A) the share option scheme of the Company (a copy of the rules of which has been produced to the meeting marked “ A” and initialled by the Chairman of this meeting for identification purposes) (the “Scheme”) be and is hereby approved and adopted;
- (B) the directors of the Company acting together, individually or by committee (the “Directors”) be and are hereby authorised to approve any amendments to the rules of the Scheme as may be acceptable or not objected to by The Stock Exchange of Hong Kong Limited, and to take all such steps as may be necessary, desirable or expedient to carry into effect and administer the Scheme subject to and in accordance with the terms thereof;
- (C) subject to paragraph (D) of this resolution, the Directors be and are hereby authorised to grant options under the Scheme and to allot, issue and otherwise deal with new ordinary shares of par value HK\$0.01 each in the share capital of the Company (“Shares”) upon the exercise of options to be granted under the Scheme subject to and in accordance with the terms thereof; and
- (D) the aggregate nominal amount of Shares to be allotted and issued pursuant to paragraph (C) of this resolution, together with that of any Shares to be allotted and issued upon the exercise of any options granted or to be granted under any other share option scheme of the Company as may from time to time be adopted by the Company, shall not exceed the aggregate of 10% of the ordinary share capital of the Company in issue as at the date of the passing of this resolution.”

NOTICE OF SPECIAL GENERAL MEETING

ORDINARY RESOLUTION NO. 2

“**THAT** the conditional grant of options in respect of 200,000,000 Shares at an exercise price of HK\$0.75 per Share under the Scheme by the Directors to Mr. Lo Yuk Sui, who is a substantial shareholder of the Company, in accordance with the terms of such options as contained in the circular of the Company dated 31st May, 2005 to its shareholders (a copy of which has been produced to this meeting marked “B” and initialled by the Chairman of this meeting for identification purposes) be and is hereby approved, and that the Directors be and are hereby authorised to take all such steps as may be necessary, desirable or expedient to carry into effect such conditional grant of options in accordance with the terms of the Scheme.”

By Order of the Board
Eliza Lam Sau Fun
Secretary

Head office and principal place of business:
18th Floor, Paliburg Plaza
68 Yee Wo Street
Causeway Bay
Hong Kong

Registered office:
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong, 31st May, 2005

Notes:

1. A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member.
2. The form of proxy must be deposited with the Company’s branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the Meeting.