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**Termination of the Sale and Purchase Agreement in respect of Regal Oriental Hotel
Issue of 2% Guaranteed Convertible Bonds due 2007
convertible into ordinary shares of and guaranteed by
Regal Hotels International Holdings Limited
Bonus issue of Warrants by Regal Hotels International Holdings Limited
Very Substantial Disposal (Deemed Disposal)
for Century City International Holdings Limited
and for Paliburg Holdings Limited**

The boards of directors of Century City, Paliburg and Regal refer to the joint announcements of Century City, Paliburg and Regal dated 4th September, 2003 and 31st March, 2004. Dragon Root served a notice to the Purchaser on 3rd June, 2004 for the exercise of the termination option under the SP Agreement to terminate the SP Agreement. Dragon Root has returned the HK\$30 million deposit to the Purchaser in accordance with the terms of the SP Agreement. Pursuant to the terms of the SP Agreement, a termination fee of HK\$39 million will be paid by Dragon Root to the Purchaser which will be satisfied by the issue of 195 million new Regal Shares to the Purchaser at an issue price of HK\$0.2 each, as agreed between the parties to the SP Agreement, representing a discount of approximately 14.2% to the closing price of HK\$0.233 per Regal Share as quoted on the Stock Exchange on 3rd June, 2004 (being the last trading day prior to this announcement).

The directors of Regal wish to announce that on 3rd June, 2004, the Issuer, Regal and the Subscribers entered into the Subscription Agreements in relation to the issue by the Issuer of the Bonds. The Bonds comprise:

- (i) the Firm Bonds in an aggregate principal amount of HK\$200 million; and
- (ii) the Optional Bonds in an additional aggregate principal amount of up to HK\$200 million.

The Firm Bonds and the Optional Bonds will carry rights to convert into new Regal Shares at the Conversion Price. The initial Conversion Price per each Regal Share is HK\$0.25, representing a premium of approximately 7.3% over the closing price of Regal Shares of HK\$0.233 per Regal Share as quoted on the Stock Exchange on 3rd June, 2004 (being the last trading day prior to this announcement). The Conversion Price is subject to adjustments as summarised in this announcement.

Regal intends to use the proceeds of approximately HK\$200 million receivable from the issue of the Firm Bonds substantially for reduction of the bank indebtedness of the Regal Group. Additional proceeds from any subscription of the Optional Bonds are intended to be used by the Regal Group for general working capital purposes.

Based on the initial Conversion Price, 1,600 million new Regal Shares will be issued by Regal if the Bonds (including the Optional Bonds) are subscribed and converted in full.

The board of directors of Regal proposes a bonus issue of the Warrants to the Regal Shareholders on the basis of one unit of HK\$0.25 Subscription Right attaching to the Warrant for every 10 Regal Shares held on the Record Date. Based on the approximately 8,145.4 million Regal Shares in issue on the date of this announcement and the 195 million Regal Shares to be issued pursuant to the termination of the SP Agreement, and assuming no other changes to Regal's issued ordinary share capital on or before the Record Date, Warrants carrying aggregate Subscription Rights of approximately HK\$208.5 million will be issued pursuant to the Bonus Issue. Based on the initial Subscription Price of HK\$0.25 per Regal Share (subject to adjustment), every unit of Subscription Right will give the holder of the Warrant the right to subscribe for one new Regal Share, and approximately 834 million new Regal Shares will fall to be issued upon the Warrants being exercised in full. Application for the listing of, and permission to deal in, the Warrants on the Stock Exchange will be made by Regal. The timetable of the Bonus Issue and the listing of the Warrants on the Stock Exchange, together with the trading terms of the Warrants, will be included in the circular to be issued by Regal to the shareholders of Regal and the announcement to be made by Regal upon despatch of the circular.

Regal is currently a subsidiary of Century City and Paliburg. Assuming that there is no other change to the shareholding structure of Regal, (i) after issue of the Regal Shares to the Purchaser under the SP Agreement, the beneficial shareholding interests of Paliburg in Regal will decrease from approximately 44.9% to approximately 43.8% of the then issued ordinary share capital of Regal as enlarged by the issue of the Regal Shares under the SP Agreement; (ii) if the maximum amount of the Bonds is issued and converted in full at the initial Conversion Price, the beneficial shareholding interests of Paliburg in Regal would further decrease to approximately 36.8% of the then issued ordinary share capital of Regal as further enlarged by the issue of the new Regal Shares pursuant to the exercise of the conversion rights attaching to the Bonds; and (iii) if the Warrants are exercised in full by Paliburg and other holders of the Warrants at the initial Subscription Price, the beneficial shareholding interests of Paliburg in Regal would then increase from approximately 36.8% to approximately 37.3% of the then issued ordinary share capital of Regal as further enlarged by the issue of Regal Shares pursuant to the exercise of the Subscription Rights attaching to the Warrants. The issue of the Bonds is a deemed disposal for each of Century City and Paliburg under the Listing Rules and such transaction constitutes a very substantial disposal for Century City and for Paliburg under the Listing Rules. Accordingly, the issue of the Bonds is subject to the respective approvals of the Century City Shareholders and Paliburg Shareholders.

At the request of Century City, Paliburg and Regal, trading in the ordinary shares of Century City, Paliburg and Regal on the Stock Exchange was suspended from 9:30 a.m. on 4th June, 2004, pending the release of this announcement. Each of Century City, Paliburg and Regal has applied to the Stock Exchange for resumption of trading in their ordinary shares from 9:30 a.m. on 9th June, 2004.

EXERCISE OF ROH TERMINATION OPTION

The boards of directors of Century City, Paliburg and Regal refer to their joint announcements dated 4th September, 2003 and 31st March, 2004. On 3rd June, 2004, Dragon Root, a wholly owned subsidiary of Regal, served the termination notice on the Purchaser to terminate the SP Agreement. The termination will take effect on 24th June, 2004. Dragon Root has returned the HK\$30 million deposit and all interest earned thereon to the Purchaser in accordance with the terms of the SP Agreement. Pursuant to the terms of the SP Agreement, a termination fee of HK\$39 million is payable on or before 24th July, 2004 by Dragon Root to the Purchaser which will be satisfied by the issue of 195 million new Regal Shares to the Purchaser at an issue price of HK\$0.2 each, as agreed between the parties to in SP Agreement. The issue price of HK\$0.2 per Regal Share represents:

- a discount of approximately 14.2% to the closing price of HK\$0.233 per Regal Share as quoted on the Stock Exchange on 3rd June, 2004 (being the last trading day prior to this announcement); and
- a discount of approximately 18.4% to the average closing price of Regal Shares for the last five consecutive trading days of HK\$0.245 as quoted on the Stock Exchange up to and including 3rd June, 2004.

The board of directors of Regal considers it in the interests of Regal and the Regal Shareholders as a whole to terminate the SP Agreement in view of the continuing improvement of the local hotel business sector and the overall tourism industry in Hong Kong and with a view to maintaining the position of the Regal Group as one of the largest hotel owners and operators in Hong Kong.

The 195 million new Regal Shares to be issued by Regal under the SP Agreement represent approximately 2.4% of the issued ordinary share capital of Regal as at the date of this announcement. Please refer to the section headed "Effect on the shareholding structure of Regal" below for details of the effect of the issue of the new Regal Shares under the SP Agreement on the shareholding structure of Regal.

The new Regal Shares to be issued under the SP Agreement will rank pari passu with the Regal Shares in issue at the time such new Regal Shares are issued, including, among other things, in respect of entitlements to the Bonus Issue. The Regal Shares will be issued under the general mandate granted to the board of directors of Regal on 12th June, 2003. Regal will apply to the Stock Exchange for the listing of, and the permission to deal in, the new Regal Shares to be issued under the SP Agreement. Please refer to the section headed "Bonus Issue of the Warrants" below for details of the Bonus Issue.

SUBSCRIPTION AGREEMENTS DATED 3RD JUNE, 2004

The directors of Regal wish to announce that on 3rd June, 2004, the Issuer, Regal and the Subscribers entered into the Subscription Agreements in relation to the proposed issue by the Issuer of the Bonds.

Subscribers

Pursuant to the Subscription Agreements, Subscriber A has agreed to subscribe for HK\$100 million Firm Bonds and has been granted an option to subscribe for up to HK\$100 million Optional Bonds; while Subscriber B has agreed to subscribe for another HK\$100 million Firm Bonds and Subscriber C has been granted an option to subscribe for up to another HK\$100 million Optional Bonds. Subscriber B and Subscriber C have the same group of ultimate beneficial shareholders. Save for Mr. Daniel BONG Shu Yin, who has resigned as a director of Regal effective from 6th January, 2004 and owns a shareholding interest of less than 30% in each of Subscriber B and Subscriber C, Subscriber A, Subscriber B, Subscriber C and their respective beneficial shareholders are not connected persons (as defined under the Listing Rules) of any of Century City, Paliburg and Regal under the Listing Rules. The two Subscription Agreements have substantially the same terms and conditions as described below.

Principal terms of the Bonds

Firm Bonds and Optional Bonds

The Bonds comprise:

- (i) the Firm Bonds in an aggregate principal amount of HK\$200 million; and
- (ii) the Optional Bonds in an additional aggregate principal amount of up to HK\$200 million.

The Bonds will be issued in registered form, in the denomination of HK\$1 million each. The Bonds will be issued at 100% of their principal amount and will be guaranteed by Regal.

Conversion rights

The Bonds are convertible into Regal Shares at any time from and including the date falling 6 months after the Closing Date up to the close of business on the date falling 7 days prior to the Maturity Date.

Conversion price

The initial Conversion Price of the Bonds is HK\$0.25 per Regal Share, subject to adjustments as summarized below.

The initial Conversion Price was determined on an arm's length basis between Regal and the Subscribers with reference to the market price of the Regal Shares. The initial Conversion Price represents (i) a premium of approximately 7.3% over the closing price of HK\$0.233 per Regal Share as quoted on the Stock Exchange on 3rd June, 2004, being the last trading day of the Regal Shares immediately prior to this announcement; and (ii) a premium of approximately 2.0% over the average closing price of HK\$0.245 per Regal Share for the last 5 trading days as quoted on the Stock Exchange up to and including 3rd June, 2004.

The Conversion Price will be subject to adjustment for, amongst other things, consolidations/subdivisions of Regal Shares, capital distributions, bonus issues, rights issues and certain other events, including a downward adjustment to the effect that should Regal issue new Regal Shares (or securities convertible into new Regal Shares) at an issue price lower than the then prevailing Conversion Price of the Bonds, the Conversion Price shall be adjusted to such issue price (but such adjustment shall not be retroactive).

Subscription of the Optional Bonds

Each of Subscriber A and Subscriber C has been granted an option to subscribe for the Optional Bonds with an aggregate principal amount of up to HK\$100 million, which is exercisable on or before the day falling 90 days prior to the Maturity Date subject to the completion of the Subscription Agreements. The Optional Bonds have the same terms and conditions as the Firm Bonds.

Deposit

Upon execution of the Subscription Agreements, Subscriber A has deposited the sum of HK\$20 million, and Subscriber B has deposited the sum of HK\$20 million, that is HK\$40 million in total, with Regal.

Interest

The Bonds carry interest at 2% per annum, payable semi-annually in arrear. The interest on each Bond will accrue from the date of issue of such Bond.

Maturity date

The Maturity Date of the Bonds will be the date falling 36 months from the Closing Date. Any outstanding Bonds will be redeemed by the Issuer at 100% of their principal amount on the Maturity Date.

Transferability

The Bonds will be freely transferable.

Early redemption

Regal has the right, at any time prior to the Maturity Date by not less than 15 nor more than 30 business days' notice to the Bondholders, to redeem the Bonds at 100% of their principal amount, if the outstanding principal amount of the Bonds is less than HK\$10 million.

Voting rights at general meetings of Regal

The Bondholders will not be entitled to receive notice of, attend or vote at any general meeting of Regal.

Regal Shares to be issued upon conversion of the Bonds

Based on the initial Conversion Price, an aggregate number of 800 million new Regal Shares will fall to be issued upon full conversion of the Firm Bonds and if the Optional Bonds are fully subscribed and converted, an additional aggregate number of 800

million new Regal Shares will fall to be issued. The percentages in the issued ordinary share capital of Regal represented by the new Regal Shares falling to be issued upon full conversion of the Bonds at the initial Conversion Price and their impact on the shareholding structure of Regal are shown in the section headed "Effect on the shareholding structure of Regal" below.

The new Regal Shares falling to be issued upon exercise of the conversion rights attaching to the Bonds will in all respects rank pari passu with the then existing issued Regal Shares.

Use of proceeds from the issue of the Bonds

As stated in the audited consolidated financial statements of Regal, Regal and its subsidiaries had bank indebtedness amounting to approximately HK\$4,450 million as at 31st December 2003. Regal intends to use the proceeds of approximately HK\$200 million receivable from the issue of the Firm Bonds substantially for reduction of the bank indebtedness of the Regal Group. Additional proceeds from any subscription of Optional Bonds are intended to be used by the Regal Group for general working capital purposes.

Conditions of the Subscription Agreements

Completion of the Subscription Agreements is subject to the fulfilment and/or the waiver (by the Subscribers) of, among other things, the following conditions precedent:

1. obtaining approvals from the shareholders of Regal at the Regal SGM for (a) the issue of the Bonds; (b) the grant of a specific mandate to the board of directors of Regal for the issue of the Regal Shares which may fall to be issued upon conversion of the Bonds; and (c) the increase of the authorised share capital of Regal from approximately HK\$101.3 million to approximately HK\$201.3 million;
2. obtaining of the approval from the Stock Exchange for the listing of, and the permission to deal in, the new Regal Shares which may fall to be issued upon conversion of the Bonds; and
3. obtaining of the approvals from the Century City Shareholders and the Paliburg Shareholders for the issue of the Bonds.

Subscribers may terminate the Subscription Agreements, if there has been, in their reasonable opinion, a material adverse change since the date of the Subscription Agreements in the financial position or shareholding structure of Regal and its subsidiaries taken as a whole.

Completion of each Subscription Agreement shall take place on the second business day after all the conditions precedent have been met or waived, as the case may be, or on such other date as may be agreed between the parties to the relevant Subscription Agreements, which may not be later than 30th July, 2004, or such other date as may be agreed between the parties to the relevant Subscription Agreements. Conditions 1 and 3 above, however, cannot be waived by the Subscribers. In the event that the subscription of the Bonds (through no fault of the relevant Subscriber) is not completed, the deposit paid by the relevant Subscriber shall be refunded to the said Subscriber.

The Century City SGM, the Paliburg SGM and the Regal SGM will be convened with a view to seeking the respective approvals from the Century City Shareholders, the Paliburg Shareholders and the shareholders of Regal in respect of the resolutions as required under the conditions precedent of the Subscription Agreements. Any Subscribers or their respective associates holding any ordinary shares of Century City, Paliburg or Regal will abstain from voting in the Century City SGM, the Paliburg SGM or the Regal SGM (as the case may be) in respect of the resolutions for approving the issue of the Bonds and the Regal Shares which may fall to be issued upon exercise of the Bonds.

Application for listing

Regal will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Regal Shares which may fall to be issued upon conversion of the Bonds.

Reasons for the issue of the Bonds

As mentioned in the paragraph headed "Use of proceeds from the issue of the Bonds" above, the main reason for the issuing of the Firm Bonds is to raise capital for repaying part of the Regal Group's bank indebtedness. Net proceeds from the issue of the Optional Bonds will provide additional working capital for the Regal Group. The directors of Regal consider that terms of the Subscription Agreements and the Bonds are fair and reasonable and the issue of the Bonds is in the interests of the Regal Group and the Regal Shareholders as a whole.

BONUS ISSUE OF THE WARRANTS

The Bonus Issue

The board of directors of Regal proposes, subject to the satisfaction of the conditions described below, the Bonus Issue of Warrants to the Regal Shareholders on the basis of one unit of HK\$0.25 Subscription Right for every 10 Regal Shares held on the Record Date.

The Warrants

Based on the initial Subscription Price of HK\$0.25 per Regal Share, every unit of HK\$0.25 Subscription Right will give the holder of the Warrant the right to subscribe for one new Regal Share. Should the Subscription Price be adjusted pursuant to the terms of the Warrants, the number of Regal Shares that a holder of the Warrant is entitled to subscribe for will also be adjusted.

The Warrants will be exercisable at any time from and including the date falling 6 months after the issue date of the Warrants to the close of business on the date falling 7 days prior to the third anniversary of the issue of the Warrants.

Fractional entitlements to less than one unit of HK\$0.25 Subscription Right will not be granted to the Regal Shareholders but will be aggregated and sold for the benefit of Regal.

The initial Subscription Price of the Regal Shares to be issued upon exercise of the Warrants is equivalent to the initial Conversion Price and the Subscription Price is subject to substantially the same adjustments as those applicable to the Conversion Price of the Bonds as described in the paragraph headed "Conversion price" above.

Regal will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and the Regal Shares which may fall to be issued upon exercise of the Warrants on the Stock Exchange.

The timetable of the Bonus Issue and the listing of the Warrants on the Stock Exchange, together with the trading terms of the Warrants, will be included in the circular to be issued by Regal to the shareholders of Regal and the announcement to be made by Regal upon despatch of the circular.

Regal Shares to be issued upon exercise of the Warrants

Based on the approximately 8,145.4 million Regal Shares in issue on the date of this announcement and the 195 million Regal Shares to be issued pursuant to the termination of the SP Agreement, and assuming no other change to Regal's issued ordinary share capital on or before the Record Date, Warrants in aggregate carrying Subscription Rights of approximately HK\$208.5 million will be issued pursuant to the Bonus Issue. Based on the initial Subscription Price of HK\$0.25, exercise of such Warrants in full would result in the issue of approximately 834 million new Regal Shares, representing approximately 10.2% of the existing issued ordinary share capital of Regal. As at the date of this announcement, approximately 16,748 Regal Convertible Preference Shares are outstanding which may be converted into approximately 76 million new Regal Shares at a conversion price of HK\$1.7037 per Regal Share, of which 3,440 Regal Convertible Preference Shares are held by Paliburg. Save for the Warrants proposed to be issued under the Bonus Issue and the Regal Convertible Preference Shares as mentioned above, Regal has no other warrants, options or similar rights to subscribe for or purchase Regal Shares for the purposes of Chapter 15 of the Listing Rules. For details of the effect of the Warrants on the shareholding structure of Regal, please refer to the section headed "Effect on the shareholding structure of Regal" below.

The new Regal Shares falling to be issued upon exercise of the Subscription Rights attaching to the Warrants will rank pari passu with the then existing issued Regal Shares.

Non-Qualifying Regal Shareholders

The circular to be issued in relation to the Bonus Issue will not be registered under any securities legislation of any jurisdiction outside Hong Kong and Bermuda. The Warrants will not be issued to Non-Qualifying Regal Shareholders. The directors of Regal are of the view that the issue of the Warrants to the Non-Qualifying Regal Shareholders would, or might, in the absence of compliance with the relevant overseas registration requirements or other formalities, be unlawful or impractical. In deciding whether a Regal Shareholder will be regarded as a Non-Qualifying Regal Shareholder, the directors of Regal will make necessary enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange and would only regard such Regal Shareholder as a Non-Qualifying Regal Shareholder if it is considered necessary or expedient to do so after making such enquiries. Warrants, which would otherwise be issued to such Non-Qualifying Regal Shareholders under the Bonus Issue, will be aggregated and sold in the market if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed to the Non-Qualifying Regal Shareholders pro rata to their respective shareholdings and remittances thereof will be posted to them, at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100, in which case it will be retained for the benefit of Regal.

Conditions of the Bonus Issue

The Bonus Issue is conditional on the followings:

1. passing of an ordinary resolution in relation to the Bonus Issue and the issue of new Regal Shares pursuant to the exercise of the Warrants at the Regal SGM;
2. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Warrants and any new Regal Shares which may fall to be issued upon the exercise of the Subscription Rights attaching to the Warrants;
3. passing of requisite ordinary resolutions at the Century City SGM, the Paliburg SGM and the Regal SGM in relation to the issue of the Bonds and the new Regal Shares which may fall to be issued upon conversion of the Bonds; and
4. obtaining approvals from the shareholders of Regal at the Regal SGM for the increase of the authorised share capital of Regal from approximately HK\$101.3 million to approximately HK\$201.3 million.

It is the current intention of the directors of Regal that the Bonus Issue will proceed after satisfaction of all the conditions precedent above and may take place irrespective of the status of the completion of the Subscription Agreements.

Reasons for the Bonus Issue

The issue of the Bonds will have a potential dilutive effect on the shareholding interests of the existing Regal Shareholders in Regal. For details of the changes in the shareholding structure of Regal as a result of the conversion of the Bonds and the exercise of the Warrants, please refer to the section headed "Effect on the shareholding structure of Regal" below. The directors of Regal believe that the Bonus Issue of the Warrants would provide the Regal Shareholders an opportunity to maintain, to a certain extent, their shareholding interests in Regal after the issue of the Bonds. For this reason, the initial Subscription Price of the Regal Shares to be issued upon exercise of the Warrants is the same as the initial Conversion Price and is subject to substantially the same adjustment provisions.

The issue of the Warrants will also provide Regal with additional working capital of approximately HK\$208.5 million if the Subscription Rights attaching to the Warrants are exercised in full.

VERY SUBSTANTIAL DISPOSAL (DEEMED DISPOSAL) FOR CENTURY CITY AND FOR PALIBURG

Paliburg is currently the controlling shareholder of Regal beneficially holding approximately 44.9% of the issued ordinary share capital of Regal. Century City is currently the controlling shareholder of Paliburg beneficially holding approximately 64.8% of the issued ordinary share capital of Paliburg. As at the date of this announcement, Regal is a subsidiary of Century City and Paliburg. As stated in the section headed "Effect on the shareholding structure of Regal" below, as at the date of this announcement, Paliburg holds an aggregate of approximately 54.3% of the issued ordinary share capital of Regal, of which approximately 44.9% is beneficially owned by Paliburg and the remaining approximately 9.4% is held through a special purpose vehicle (the "SPV") wholly owned by Paliburg. The Regal Shares held by the SPV are to be released subject to the arrangement under a settlement proposal as described in Century City's circular and Paliburg's circular each dated 26th August, 2002. All the Regal Shares held by the SPV will be released by 31st July, 2004 and the aggregate shareholding interests of Paliburg in Regal will then decrease from approximately 54.3% to approximately 44.9% before taking into account the issue of the new Regal Shares to the Purchaser under the SP Agreement, the new Regal Shares which may fall to be issued upon exercise of the conversion rights attaching to the Bonds and the Subscription Rights attaching to the Warrants and assuming that there are no other changes to the shareholding structure of Regal. Based on the current accounting policies of each of Century City and Paliburg, the Hong Kong Companies Ordinance and the generally accepted accounting principles in Hong Kong, Regal will cease to be a subsidiary of Century City and Paliburg upon release of the Regal Shares held by the SPV. The Bonds and the Warrants will (in accordance with their respective terms) only become exercisable subsequent to 31st July, 2004, when all the Regal Shares held by the SPV will be released pursuant to the settlement proposal and Regal will cease to be a subsidiary and will become an associated company of Century City and Paliburg (assuming there are no other changes in the shareholding structure of Regal).

Assuming that there is no other change to the shareholding structure of Regal, (i) after issue of the Regal Shares to the Purchaser under the SP Agreement, the beneficial shareholding interests of Paliburg in Regal will decrease from approximately 44.9% to approximately 43.8% of the then issued ordinary share capital of Regal as enlarged by the issue of the Regal Shares under the SP Agreement; (ii) if the maximum amount of the Bonds is issued and exercised in full at the initial Conversion Price, the beneficial shareholding interests of Paliburg in Regal would further decrease to approximately 36.8% of the then issued ordinary share capital of Regal as further enlarged by the issue of the new Regal Shares pursuant to the exercise of the conversion rights attaching to the Bonds; and (iii) if the Warrants are exercised in full by Paliburg and other holders of the Warrants at the initial Subscription Price after all the Bonds are converted at the initial Conversion Price, the beneficial shareholding interests of Paliburg in Regal would then increase from approximately 36.8% to approximately 37.3% of the then issued ordinary share capital of Regal as further enlarged by the issue of Regal Shares pursuant to the exercise of the Subscription Rights attaching to the Warrants. The issue of the Bonds is regarded as a deemed disposal for each of Century City and Paliburg under the Listing Rules and such transaction constitutes a very substantial disposal for Century City and for Paliburg under the Listing Rules. Accordingly, the issue of the Bonds is subject to the respective approvals of the Century City Shareholders and the Paliburg Shareholders. Gain or loss may be recorded by Century City and Paliburg as a result of the conversion of the Bonds depending on the net asset value per Regal Share as at the date of exercise of such conversion rights. Century City and Paliburg will seek approvals from their respective shareholders for the issue of the Bonds.

Assuming that the beneficial shareholding interests of Paliburg in Regal on the Record Date remains the same as that on the date of this announcement, after (i) release of all the Regal Shares held by the SPV by 31st July, 2004 and (ii) the issue of the 195 million Regal Shares under the SP Agreement but before conversion of any of the Bonds, the beneficial shareholding interests of Paliburg in the issued ordinary share capital of Regal will

- increase from approximately 43.8% to approximately 46.2% if all the Warrants which may be issued to Paliburg under the Bonus Issue are exercised by Paliburg and no other Warrants issued under the Bonus Issue is exercised; or
- decrease from approximately 43.8% to approximately 41.5% if all the Warrants which may be issued under the Bonus Issue, except for those which may be issued to Paliburg, are exercised.

Paliburg exercising or not exercising the Warrants may also constitute a notifiable transaction for each of Century City and Paliburg under the Listing Rules and may therefore be subject to approvals from the Century City Shareholders and/or the Paliburg Shareholders. In this regard, Century City and Paliburg will seek approvals from their respective shareholders for the grant of a general authority to their respective boards of directors for determining (in the case of Century City) whether to request Paliburg to or whether to request Paliburg not to, and (in the case of Paliburg) whether or not to, exercise the right to subscribe for Regal Shares under the Warrants which may be issued to Paliburg under the Bonus Issue.

The Regal Group is principally engaged in hotel ownership and management, property investment, and other investments. For the two years ended 31st December, 2002 and 2003, the audited profit before and after taxation and minority interests of the Regal Group were as follows:

	For the year ended 31st December,	
	2003	2002
	HK\$'million	HK\$'million
Profit/(loss) before taxation and minority interests	160.0	(767.0)
Profit/(loss) after taxation and minority interests	207.8	(780.8)

The Regal Group did not record any extraordinary or exceptional items for each of the years ended 31st December, 2002 and 2003. The audited consolidated net asset value of Regal as at 31st December, 2003 was HK\$4,040.5 million.

Apart from the business of the Regal Group, the Century City Group and the Paliburg Group are principally engaged in investment holdings, property development and investment, property management, and construction and building-related businesses.

The respective directors of Century City and Paliburg understand that it is in the interests of Regal to enter into the Subscription Agreements with a view to allowing the Regal Group further to reduce its gearing level. After taking into account the benefits of the issue of the Bonds to Regal (which is one of the key members of the Century City Group and the Paliburg Group), the respective boards of directors of Century City and Paliburg consider that the terms of the Subscription Agreements and the Bonds are fair and reasonable and the issue of the Bonds is in the respective interests of Century City and Paliburg and their respective shareholders as a whole.

INCREASE IN AUTHORISED SHARE CAPITAL OF REGAL

As at the date of this announcement, the authorised share capital of Regal amounted to approximately HK\$101.3 million comprising 10,000 million Regal Shares and 16,748 Regal Convertible Preference Shares. Of the authorised ordinary share capital of Regal, approximately 8,145.4 million Regal Shares and 16,748 Regal Convertible Preference Shares are in issue as at the date of this announcement. After taking into account the new Regal Shares which will be issued for the settlement of the termination fee under the SP Agreement, the remaining unissued authorised ordinary share capital of Regal will not be sufficient for the issue of the new Regal Shares which would fall to be issued upon exercise of the Bonds and the Warrants. The directors of Regal propose to increase the authorised share capital of Regal to HK\$201.3 million by the creation of additional 10,000 million new Regal Shares. Upon such increase of authorised share capital taking effect, the authorised share capital of Regal will then be HK\$201.3 million divided into 20,000 million Regal Shares of HK\$0.01 each and 16,748 Regal Convertible Preference Shares. According to the bye-laws of Regal, the increase in the authorised share capital of Regal is subject to approval of the shareholders of Regal by an ordinary resolution.

EFFECT ON THE SHAREHOLDING STRUCTURE OF REGAL

The table below sets out the existing shareholding structure of Regal and the shareholding structure of Regal after (i) issue of 195 million new Regal Shares to the Purchaser pursuant to the SP Agreement; (ii) release of approximately 769.8 million Regal Shares held by the SPV in full by 31st July, 2004 as described in Paliburg's circular dated 26th August, 2002; (iii) issue of 800 million new Regal Shares at the initial Conversion Price upon conversion of the Firm Bonds in full; (iv) issue of 800 million Regal Shares at the initial Conversion Price upon conversion of the Optional Bonds in full; and (v) issue of approximately 834 million new Regal Shares upon exercise of all the Warrants at the initial Subscription Price, and assuming that none of the outstanding Regal Convertible Preference Shares will be converted and there is no other change to the shareholding structure of Regal.

	Existing	Upon issue of 195 million new Regal Shares to the Purchaser pursuant to the SP Agreement		Upon release of approximately 769.8 million Regal Shares by 31st July, 2004 pursuant to the settlement proposal described in Paliburg's circulars and Century City's and Regal's circulars each dated 26th August, 2002		Upon full conversion of the Firm Bonds		Upon full conversion of the Firm Bonds and the Optional Bonds		Upon full conversion of the Bonds and exercise in full of the Warrants		
		Number of Regal Shares million	Percentage %	Number of Regal Shares million	Percentage %	Number of Regal Shares million	Percentage %	Number of Regal Shares million	Percentage %	Number of Regal Shares million	Percentage %	
Paliburg	3,653.8	44.86%	3,653.8	43.81%	3,653.8	43.81%	3,653.8	39.97%	3,653.8	36.76%	4,019.2	37.30%
SPV	769.8	9.45%	769.8	9.23%	—	—	—	—	—	—	—	—
Sub-total	4,423.6	54.31%	4,423.6	53.04%	3,653.8	43.81%	3,653.8	39.97%	3,653.8	36.76%	4,019.2	37.30%
Directors of Regal	4.0	0.05%	4.0	0.05%	4.0	0.05%	4.0	0.04%	4.0	0.04%	4.4	0.04%
Subscribers and their ultimate beneficial shareholders/Bondholders	48.0	0.59%	48.0	0.58%	48.0	0.58%	848.0	9.28%	1,648.0	16.58%	1,652.8	15.34%
Purchaser	—	—	195.0	2.34%	195.0	2.34%	195.0	2.13%	195.0	1.96%	214.5	1.99%
Holders of the Series B Bonds (as defined in Century City's and Paliburg's circulars each dated 26th August, 2002)	—	—	—	—	769.8	9.23%	769.8	8.42%	769.8	7.74%	846.8	7.86%
Existing public Regal Shareholders	3,669.8	45.05%	3,669.8	44.00%	3,669.8	44.00%	3,669.8	40.15%	3,669.8	36.92%	4,036.8	37.47%
Total	8,145.4	100.00%	8,340.4	100.00%	8,340.4	100.00%	9,140.4	100.00%	9,940.4	100.00%	10,774.4	100.00%

Based on the initial Conversion Price, if the Bonds are fully subscribed for and converted into Regal Shares, 1,600 million new Regal Shares will be issued by Regal. The number of Regal Shares which may fall to be issued by Regal as a result of the conversion of the Bonds depends on the prevailing Conversion Price when conversions of the Bonds take place. If the Conversion Price should be adjusted downward in accordance with the provisions under the Bonds, the number of Regal Shares which may fall to be issued by Regal as a result of the conversions of the Bonds would increase and the shareholding interests of the existing Regal Shareholders, including Paliburg, in Regal would be further diluted than that set out in the table above.

GENERAL

A circular setting out details of the Subscription Agreements together with the notice of the Century City SGM and accompanying form of proxy for the Century City SGM will be despatched by Century City to the Century City Shareholders as soon as practicable.

A circular setting out details of the Subscription Agreements together with the notice of the Paliburg SGM and accompanying form of proxy for the Paliburg SGM will be despatched by Paliburg to the Paliburg Shareholders as soon as practicable.

A circular setting out details of the proposed increase in the authorised share capital, the Subscription Agreements and the Bonus Issue, together with the notice of the Regal SGM and accompanying form of proxy for the Regal SGM will be despatched by Regal to the shareholders of Regal as soon as practicable.

Directors of Century City

Mr. LO Yuk Sui (Chairman and Managing Director), Mr. Anthony CHUANG (Independent Non-Executive Director), Mr. Tommy LAM Chi Chung (Executive Director), Mrs. Kitty LO LEE Kit Tai (Non-Executive Director), Mr. Jimmy LO Chun To (Executive Director), Mr. Kenneth NG Kwai Kai (Executive Director) and Mr. NG Siu Chan (Independent Non-Executive Director).

Directors of Paliburg

Mr. LO Yuk Sui (Chairman and Managing Director), Mr. Donald FAN Tung (Executive Director), Mrs. Kitty LO LEE Kit Tai (Non-Executive Director), Mr. Jimmy LO Chun To (Executive Director), Mr. Kenneth NG Kwai Kai (Executive Director), Mr. NG Siu Chan (Independent Non-Executive Director), Hon Abraham SHEK Lai Him, JP (Independent Non-Executive Director) and Dr. Alex WU Shu Chih, CBE, LL D, FBIM FIOP, F Inst D, JP (Independent Non-Executive Director).

Directors of Regal

Mr. LO Yuk Sui (Chairman and Managing Director), Mr. Donald FAN Tung (Executive Director), Mr. Dominic LAI (Independent Non-Executive Director), Mr. Tommy LAM Chi Chung (Executive Director), Mrs. Kitty LO LEE Kit Tai (Non-Executive Director), Mr. Jimmy LO Chun To (Executive Director), Mr. Kenneth NG Kwai Kai (Executive Director), Mr. Kai Ole RINGENSON (Non-Executive Director), Mr. Thomas NG Wai Hung (Independent Non-Executive Director), Dr. Alex WU Shu Chih, CBE, LL D, FBIM FIOP, F Inst D, JP (Independent Non-Executive Director) and Ms. Belinda YEUNG Bik Yiu (Executive Director).

SUSPENSION AND RESUMPTION OF TRADING

At the request of Century City, Paliburg and Regal, trading in ordinary shares of Century City, Paliburg and Regal on the Stock Exchange was suspended from 9:30 a.m. on 4th June, 2004, pending the release of this announcement. Each of Century City, Paliburg and Regal has applied to the Stock Exchange for resumption of trading in their ordinary shares from 9:30 a.m. on 9th June, 2004.

DEFINITIONS

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

"associates"	has the same meaning as defined in the Listing Rules
"Bonds"	2% Guaranteed Convertible Bonds due 2007, comprising the Firm Bonds and any Optional Bonds, convertible into Regal Shares and guaranteed by Regal, and to be issued by the Issuer pursuant to the Subscription Agreements
"Bondholder(s)"	holder(s) of the Bonds
"Bonus Issue"	the proposed bonus issue of the Warrants
"Century City"	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"Century City Group"	Century City, its subsidiaries and associated companies
"Century City SGM"	the special general meeting of Century City to be convened for the purposes of seeking approvals from the Century City Shareholders for, among other things, (i) the issue of the Bonds; and (ii) the grant of a general authority to the directors of Century City to determine whether to request Paliburg to, or whether to request Paliburg not to, exercise the right to subscribe for Regal Shares under the Warrants by Paliburg
"Century City Shareholders"	the holders of the ordinary shares of HK\$0.10 each in the share capital of Century City
"Chasehill"	Chasehill Limited, a company wholly and directly owned by Dragon Root
"Closing Date"	the closing date for the issue of the Firm Bonds
"Conversion Price"	the conversion price of the Bonds, initially being HK\$0.25 per Regal Share, which is subject to adjustments as summarised in this announcement
"Dragon Root"	Dragon Root Inc., an indirect wholly owned subsidiary of Regal
"Firm Bonds"	bonds in an aggregate principal amount of HK\$200,000,000 which the Subscribers have agreed to subscribe for, subject to the fulfillment and/or the waiver of the conditions precedent, on the Closing Date pursuant to the Subscription Agreements
"Issuer"	Cheerview Limited, a wholly-owned subsidiary of Regal
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	has the meaning ascribed to it under the paragraph headed "Maturity Date" of the section headed "Principal terms of the Bonds" in this announcement
"Non-Qualifying Regal Shareholder(s)"	Regal Shareholder(s) whose addresses as shown on the register of members of Regal at the close of business on the Record Date are either outside Hong Kong or situated in place(s) where, in the opinion of the directors of Regal, the Warrants may not be offered without compliance with registration and/or other legal or regulatory requirements of that jurisdiction or jurisdictions outside Hong Kong
"Optional Bonds"	additional Bonds in an aggregate principal amount of up to HK\$200 million, which each of Subscriber A and Subscriber C has an option to subscribe for up to HK\$100 million in aggregate principal amount, in whole or in part (in integral multiples of HK\$1 million) and on one or more occasions, from the Closing Date to the date falling 90 days prior to the Maturity Date, pursuant to the Subscription Agreements
"Paliburg"	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"Paliburg Group"	Paliburg, its subsidiaries and associated companies
"Paliburg Shareholders"	the holders of the ordinary shares of HK\$0.01 each in the share capital of Paliburg
"Paliburg SGM"	the special general meeting of Paliburg to be convened for the purposes of seeking approvals from the Paliburg Shareholders for, among other things, (i) the issue of the Bonds; and (ii) the grant of a general authority to the directors of Paliburg to determine whether to or not to exercise the right to subscribe for Regal Shares under the Warrants
"Purchaser"	Sino Bright Group Limited, the purchaser under the SP Agreement, who is, and whose controlling beneficial shareholders are, not connected person(s) (as defined under the Listing Rules) of any of Century City, Paliburg and Regal under the Listing Rules
"Qualifying Regal Shareholder(s)"	Regal Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of Regal on the Record Date
"Record Date"	the record date for the determination of entitlements to the issue of the Warrants under the Bonus Issue
"Regal"	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"Regal Convertible Preference Shares"	5.25% convertible cumulative redeemable preference shares of US\$10 each in the share capital of Regal
"Regal Group"	Regal, its subsidiaries and associated companies
"Regal Oriental Hotel"	Regal Oriental Hotel, the hotel property and business in the name of "Regal Oriental Hotel" located at 30-38 Sa Po Road, Kowloon, Hong Kong
"Regal SGM"	the special general meeting of Regal to be convened for the purposes of seeking approvals from the shareholders of Regal for, among other things, (i) the increase in authorised share capital of Regal; (ii) the issue of the Bonds and the issue of the Regal Shares which may fall to be issued upon conversion of the Bonds; and (iii) the Bonus Issue
"Regal Shares"	ordinary shares in the share capital of Regal, with par value of HK\$0.01 each
"Regal Shareholders"	holders of the Regal Shares
"ROH Termination Option"	Dragon Root's option to terminate the SP Agreement pursuant to the terms thereunder
"SP Agreement"	the conditional sale and purchase agreement dated 29th August, 2003 entered into between Dragon Root, Regal and the Purchaser in respect of the sale by Dragon Root of its 100% interest in Chasehill which indirectly owns 100% interest in the Regal Oriental Hotel, as supplemented by a supplemental agreement dated 30th March, 2004
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	Subscriber A, Subscriber B and Subscriber C
"Subscriber A"	Clovering Enterprise Limited, which is not a connected person of Century City, Paliburg or Regal under the Listing Rules
"Subscriber B"	Finance Noble Limited, which is not a connected person of Century City, Paliburg or Regal under the Listing Rules
"Subscriber C"	Leader Advance Limited, which is not a connected person of Century City, Paliburg or Regal under the Listing Rules
"Subscription Agreements"	the two conditional subscription agreements, both dated 3rd June, 2004, one entered into between the Issuer, Regal and the Subscriber A, and another entered into between the Issuer, Regal, the Subscriber B and Subscriber C, in relation to the subscription of the Bonds
"Subscription Price"	the sum payable in respect of each Regal Share to which a holder of a Warrant will be entitled to subscribe for upon exercise of the Subscription Right represented thereby, initially being HK\$0.25 per Regal Share, which is subject to adjustments as summarized in this announcement
"Subscription Right"	in relation to each Warrant, means the right of the holder of the Warrant, in units of HK\$0.25, to subscribe for a certain number of new Regal Shares at the Subscription Price per Regal Share (subject to adjustment) at any time from and including the date falling 6 months after the issue date of the Warrants and the date falling 7 days prior to the third anniversary of the issue of the Warrants (both dates inclusive)
"Warrants"	warrants to be issued by Regal under the Bonus Issue which carry the benefit of the Subscription Right

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

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

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

Hong Kong, 8th June, 2004