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ANNOUNCEMENT

Issue of 5% Guaranteed Convertible Bonds due 2004 convertible into ordinary shares of and guaranteed by Regal Hotels International Holdings Limited

The Directors wish to announce that on 12th September, 2002, the Issuer, Regal and the Purchaser entered into the Subscription Agreement in relation to the issue by the Issuer of the Bonds. The Bonds comprise:

- (i) Firm Bonds in an aggregate principal amount of HK\$50 million; and
- (ii) Optional Bonds in an additional aggregate principal amount of up to HK\$50 million.

The Firm Bonds and the Optional Bonds will carry rights to convert into new Shares at the Initial Conversion Price. The Initial Conversion Price is subject to adjustment as referred to in this announcement.

Regal intends to use the estimated net proceeds of approximately HK\$50 million receivable from the issue of the Firm Bonds substantially for reduction of bank indebtedness as referred to in an announcement dated 10th September, 2002 of Regal relating to the entering into of a standstill agreement with bank creditors. If the Optional Bonds are fully subscribed, the additional net proceeds of approximately HK\$50 million are intended to be used by Regal for reduction of bank indebtedness and general working capital purposes.

At the request of Regal, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 13th September, 2002, pending the release of this announcement. Regal has applied to the Stock Exchange for resumption of trading in Shares from 9:30 a.m. on 17th September, 2002.

SUBSCRIPTION AGREEMENT DATED 12TH SEPTEMBER, 2002

The Directors wish to announce that on 12th September, 2002, the Issuer, Regal and the Purchaser entered into the Subscription Agreement in relation to the issue by the Issuer of the Bonds.

PRINCIPAL TERMS OF THE BONDS

Firm Bonds and Optional Bonds

The Bonds comprise:

- (i) Firm Bonds in an aggregate principal amount of HK\$50 million; and
- (ii) Optional Bonds in an additional aggregate principal amount of up to HK\$50 million.

The Bonds will be issued in registered form, in the denomination of HK\$1,000,000 each and at 100% of the principal amount of the Bonds. The Bonds will be guaranteed by Regal and secured by certain assets of the Issuer and its subsidiaries, which comprise certain non-core assets of the Regal Group.

Conversion Rights

The Bonds are convertible, in whole or in integral multiples of HK\$1,000,000, at any time before the Maturity Date at the Initial Conversion Price, subject to usual and downward adjustments.

Conversion Price

At HK\$0.10 per Share, initially, subject to usual and downward adjustments.

The Initial Conversion Price was determined on an arm's length basis between Regal and the Purchaser with reference to the market price of the Shares and the par value of HK\$0.10 per Share. The Initial Conversion Price represents (i) a premium of 25% over the closing price of HK\$0.08 per Share as quoted on the Stock Exchange on 12th September, 2002, being the last trading day of the Shares immediately prior to the suspension of trading of the Shares on 13th September, 2002; and (ii) a premium of approximately 22.7% over the average closing price of HK\$0.0815 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 12th September, 2002.

The Conversion Price is subject to usual adjustments for variation in the capital structure of Regal and downward adjustment as and when during the Conversion Period, Regal issues new Shares for cash at an issue price lower than the then prevailing Conversion Price of the Bonds, the Conversion Price of the Bonds shall be adjusted to such issue price (but such adjustment shall not be retroactive).

Conversion Period

At any time before the Maturity Date.

Interest

The Bonds carry interest at 5% per annum, payable semi-annually. 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 18 months from the Closing Date of the Firm Bonds, i.e. if the Closing Date is 26th September, 2002, the Maturity Date will be 26th March, 2004. Any outstanding Bonds will be redeemed in cash at 100% of their principal amount on the Maturity Date.

Transferability

The Bonds will not be listed on the Stock Exchange or any other stock exchange and will be freely transferable to any party. Under the terms and conditions of the Bonds, no transfer of title to any Bond will be effective unless and until entered on the register of the Bondholders kept by the Issuer, and the Issuer will notify Regal of such transfers as soon as practicable.

Regal has undertaken to the Stock Exchange that it will notify the Stock Exchange of any transfer of or dealings in the Bonds to or by any connected persons or their associates.

Early Redemption

Regal may, at any time prior to the Maturity Date by not less than 15 nor more than 30 days notice to the Bondholders, redeem the Bonds in cash at 100% of their principal amount, together with outstanding interest accrued, if the outstanding principal amount of the Bonds is less than HK\$10,000,000.

Shares to be issued upon conversion of the Bonds

Based on the Initial Conversion Price, an aggregate number of 500,000,000 new Shares will fall to be issued upon full conversion of the Firm Bonds. If the Optional Bonds will be fully subscribed and converted, an additional aggregate number of 500,000,000 new Shares will fall to be issued. The percentages in the share capital of Regal represented by the new 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 Shareholding Structure of Regal" below.

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.

Use of Proceeds from the issue of the Bonds

Regal intends to use the estimated net proceeds of approximately HK\$50 million receivable from the issue of the Firm Bonds substantially for reduction of bank indebtedness as referred to in an announcement dated 10th September, 2002 of Regal relating to the entering into of a standstill agreement with bank creditors. If the Optional Bonds are fully subscribed, the additional net proceeds of approximately HK\$50 million are intended to be used by Regal for reduction of bank indebtedness and general working capital purposes.

COMPLETION OF THE SUBSCRIPTION AGREEMENT

Completion of the Subscription Agreement and the issue of the Firm Bonds will be on the Closing Date, subject to, the fulfilment and/or the waiver of, among other things, the following conditions precedent:

- obtaining of the approval from the Listing Committee of the Stock Exchange for the listing of, and permission to deal, in the new Shares falling to be issued upon conversion of the Bonds;
- finalisation and execution of the relevant security documentation in relation to the security for the Bonds; and
- in the reasonable opinion of the Purchaser, there being no material adverse change in the financial position or shareholding structure or otherwise of Regal and its holding companies and their subsidiaries taken as a whole.

PRE-EMPTIVE RIGHT GRANTED TO THE PURCHASER

In the event of Regal conducting a rights issue or other general offering of Shares to its shareholders or placing of Shares for cash not involving an offer to its shareholders, the Purchaser will have a right to subscribe for additional Shares, based on the number of Shares proposed to be issued under such rights issue, general offering or placing, in the proportion which the number of Shares arising on conversion of all the Bonds by the Purchaser bears to the then issued share capital of Regal, rounded down to the nearest board lot. Such pre-emptive right will be subject to compliance with applicable laws, regulations and the Listing Rules and shall lapse when the Purchaser ceases to hold any Bonds.

EFFECT ON SHAREHOLDING STRUCTURE OF REGAL

Scenario 1 (Assuming full conversion of the Firm Bonds at the Initial Conversion Price (Note))

	Existing Shareholding		After full conversion of the Firm Bonds		Upon completion of the Stanley Transfer and Bonds Settlement Closing		After release of all the SPC Regal Shares	
	Number of Shares million	%	Number of Shares million	%	Number of Shares million	%	Number of Shares million	%
Paliburg	2,793.7	69.3	2,793.7	61.7	4,752.0	73.3	2,856.4	44.0
Purchaser/Bondholders	—	—	500.0	11.0	500.0	7.7	500.0	7.7
Other shareholders	1,235.1	30.7	1,235.1	27.3	1,235.1	19.0	3,130.7	48.3
Total	4,028.8	100.0	4,528.8	100.0	6,487.1	100.0	6,487.1	100.0

Scenario 2 (Assuming full conversion of the Firm Bonds and the Optional Bonds at the Initial Conversion Price (Note))

	Existing Shareholding		After full conversion of the Firm Bonds and the Optional Bonds		Upon completion of the Stanley Transfer and Bonds Settlement Closing		After release of all the SPC Regal Shares	
	Number of Shares million	%	Number of Shares million	%	Number of Shares million	%	Number of Shares million	%
Paliburg	2,793.7	69.3	2,793.7	55.6	4,752.0	68.0	2,856.4	40.9
Purchaser/Bondholders	—	—	1,000.0	19.9	1,000.0	14.3	1,000.0	14.3
Other shareholders	1,235.1	30.7	1,235.1	24.5	1,235.1	17.7	3,130.7	44.8
Total	4,028.8	100.0	5,028.8	100.0	6,987.1	100.0	6,987.1	100.0

Note: Assuming that there will be no change to the shareholding structure of Regal other than those arising from the issue of the Firm Bonds and/or the Optional Bonds before completion of the Stanley Transfer and before the release of all the SPC Regal Shares.

As mentioned in the Joint Announcement and the Circular, Paliburg will procure that out of the 1,958,333,333 new Shares to be issued by Regal as consideration for the Stanley Transfer, 1,896,500,000 Shares will be issued and allotted to a special purpose company of the Paliburg Group for the implementation of the Settlement Proposal. For further details relating to the Stanley Transfer, the Settlement Proposal and the Bonds Settlement Closing as referred to in this announcement, please refer to the Joint Announcement and the Circular. A special general meeting of the shareholders of Regal will be held on 18th September, 2002 to approve, among other things, the Stanley Transfer.

As indicated in the above tables showing effect of the issue of the Bonds on the shareholding structure of Regal, any of the Purchaser and/or the Bondholder(s) may become substantial shareholder(s) of Regal upon conversion of the Bonds. As and when any of the Purchaser and/or the Bondholder(s) become substantial shareholder(s) of Regal, any of such persons will become connected person(s) of Regal and also be obliged to comply with applicable laws, regulations and the Listing Rules where a substantial shareholder is obliged to observe, including but not limited to the obligation to notify the Stock Exchange regarding any dealings in or transfer of Shares.

APPLICATION FOR LISTING

No application will be made for the listing of, and permission to deal in, the Bonds on the Stock Exchange or any other stock exchange. Regal will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued upon conversion of the Bonds.

REASON FOR THE ISSUE OF THE BONDS

The issue of the Bonds is intended to raise additional funds for reduction of bank indebtedness and working capital purposes of the Regal Group. Accordingly, the Directors consider that the issue of the Bonds is in the interests of the Regal Group.

GENERAL

The Shares falling to be issued on conversion of the Firm Bonds will be issued under the general mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting of Regal held on 12th June, 2002. Regal has not issued any Shares pursuant to such mandate prior to the issue of the Bonds. The Optional Bonds may only be issued following relevant approval being obtained from the shareholders of Regal. The Directors intend to seek from the shareholders of Regal a mandate for the issue of the Shares which may fall to be issued upon conversion of the Optional Bonds in due course.

SUSPENSION AND RESUMPTION OF TRADING

At the request of Regal, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 13th September, 2002, pending the release of this announcement. Regal has applied to the Stock Exchange for resumption of trading in Shares from 9:30 a.m. on 17th September, 2002.

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"	5% Guaranteed Convertible Bonds due 2004, comprising the Firm Bonds and the Optional Bonds, convertible into Shares of and guaranteed by Regal, and to be issued by the Issuer pursuant to the Subscription Agreement
"Bondholder(s)"	holder(s) of the Bonds
"Bonds Settlement Closing"	the completion of the implementation of the Settlement Proposal, as disclosed in the Joint Announcement
"Circular"	a circular dated 26th August, 2002 issued by Regal and despatched to its shareholders relating to, among other things, the Stanley Transfer
"Closing Date"	The closing date for the issue of the Firm Bonds, being 26th September, 2002 or such other date as the Issuer and the Purchaser may agree, which may not be later than 10th October, 2002
"connected person"	has the same meaning as defined in the Listing Rules
"Conversion Period"	has the meaning as ascribed to it under the sub-section headed "Conversion Period" of the section headed "Principal Terms of the Bonds" in this announcement
"Conversion Price"	the price of conversion of the Bonds into Shares, initially at HK\$0.10 per Share, subject to usual and downward adjustments
"Firm Bonds"	Bonds in an aggregate principal amount of HK\$50,000,000 which the Purchaser has agreed to subscribe, subject to the fulfilment and/or the waiver of the conditions precedent, on the Closing Date pursuant to the Subscription Agreement
"Initial Conversion Price"	initial Conversion Price at HK\$0.10 per Share, subject to usual and downward adjustments
"Issuer"	Richtech Holdings Limited, a wholly-owned subsidiary of Regal
"Joint Announcement"	a joint announcement dated 2nd August, 2002 made by Century City International Holdings Limited, the ultimate listed holding company of Paliburg and Regal, Paliburg and Regal relating to, among other things, the Settlement Proposal and the Stanley Transfer
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Maturity Date"	has the meaning as ascribed to it under the sub-section headed "Maturity Date" of the section headed "Principal Terms of the Bonds" in this announcement
"Optional Bonds"	additional Bonds in an aggregate principal amount of up to HK\$50,000,000, which the Purchaser has an option to subscribe, in whole or in part (in integral multiples of HK\$1,000,000) and on one or more occasions, within 15 months from the Closing Date, pursuant to the Subscription Agreement
"Paliburg"	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Paliburg Group"	Paliburg and its subsidiaries
"Purchaser"	Faith Master Limited, an independent third party not connected with any of the directors, chief executive and substantial shareholders of Regal, its subsidiaries and any of their respective associates, and also any of the holders of the outstanding bonds of the Paliburg Group
"Regal"	Regal Hotels International Holdings Limited, a 69.3% owned subsidiary of Paliburg incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
"Regal Group"	Regal and its subsidiaries
"Settlement Proposal"	a settlement proposal in respect of the outstanding bonds of the Paliburg Group involving, among other things, the cancellation of such bonds and the phased release of the SPC Regal Shares, as described in more detail in the Joint Announcement
"Shares"	Ordinary shares in the share capital of Regal, presently with par value of HK\$0.10 each
"SPC Regal Shares"	the 1,896.5 million Shares to be held by the Paliburg Group and are subject to delivery to the holders of the outstanding bonds of the Paliburg Group pursuant to the Settlement Proposal, as described in more detail in the Joint Announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Stanley Transfer"	the proposed acquisition by the Regal Group from the Paliburg Group of a 40% interest in a residential property development project at Stanley, Hong Kong, as described in more detail in the Joint Announcement
"Subscription Agreement"	the conditional subscription agreement dated 12th September, 2002 entered into between the Issuer, Regal and the Purchaser in relation to the issue of the Bonds
"substantial shareholder"	has the same meaning as defined in the Listing Rules

By Order of the Board
REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED
Eliza Lam Sau Fun
Secretary

Hong Kong, 16th September, 2002