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

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**If you are in any doubt** about this circular, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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

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**Issue of 2% Guaranteed Convertible Bonds due 2007**  
**Bonus Issue of Warrants**  
**Increase in Authorised Share Capital**  
**Grant of General Mandate to Repurchase Warrants**

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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 at 11:00 a.m. on Monday, 19th July, 2004 is set out on pages 36 to 39 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 share registrar of Regal Hotels International Holdings Limited in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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.

30th June, 2004

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## DEFINITIONS

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

“2002 Circulars”	the circulars of Century City and Paliburg each dated 26th August, 2002
“Announcement”	the announcement jointly made by Century City, Paliburg and Regal dated 8th June, 2004 in relation to, among other things, issue of the Bonds and the Bonus Issue
“associates”	has the same meaning as defined in Chapter 1 of the Listing Rules
“Board”	the board of directors of Regal
“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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 and its subsidiaries
“Century City SGM”	the special general meeting of Century City to be held for the purposes of seeking approvals from the Century City Shareholders for, among other things, the issue of the Bonds
“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 the Letter from the Board contained in this circular

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## DEFINITIONS

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“Dragon Root”	Dragon Root Inc., an indirect wholly owned subsidiary of Regal
“Firm Bonds”	Bonds in an aggregate principal amount of HK\$200 million which Subscriber A and Subscriber B 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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Issuer”	Cheerview Limited, a wholly-owned subsidiary of Regal
“Latest Practicable Date”	25th June, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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” in the section headed “Principal terms of the Bonds” set out in the Letter from the Board in this circular
“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
“Overseas 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 outside Hong Kong
“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 and its subsidiaries
“Paliburg Shareholders”	the holders of the ordinary shares of HK\$0.01 each in the share capital of Paliburg

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## DEFINITIONS

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“Paliburg SGM”	the special general meeting of Paliburg to be held for the purposes of seeking approvals from the Paliburg Shareholders for, among other things, the issue of the Bonds
“Purchaser”	Sino Bright Group Limited, the purchaser under the SP Agreement, who is not, and whose controlling beneficial shareholders are not, connected person(s) (as defined under the Listing Rules) of Regal under the Listing Rules
“Qualifying Regal Shareholder(s)”	Regal Shareholder(s), other than the Overseas Regal 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, scheduled to be on Monday, 19th July, 2004
“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”	5¼% convertible cumulative redeemable preference shares of US\$10 each in the share capital of Regal
“Regal Group”	Regal and its subsidiaries
“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 held for the purposes of seeking approvals from the shareholders of Regal for, among other things, (i) the issue of the Bonds and the Regal Shares which may fall to be issued upon conversion of the Bonds; (ii) the Bonus Issue and the Regal Shares which may fall to be issued upon exercise of the Subscription Rights; (iii) the increase in the authorised share capital of Regal; and (iv) the granting of the Repurchase Mandate to the Board
“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
“Repurchase Mandate”	the general mandate to repurchase the Warrants proposed to be granted to the Board at the Regal SGM

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## DEFINITIONS

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“ROH Termination Option”	Dragon Root’s option to terminate the SP Agreement pursuant to the terms thereunder
“SP Agreement”	the 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 Regal under the Listing Rules
“Subscriber B”	Finance Noble Limited, which is not a connected person of Regal under the Listing Rules
“Subscriber C”	Leader Advance Limited, which is not a connected person of 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 Subscriber A, and another entered into between the Issuer, Regal, 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 adjustment as summarised in the Letter from the Board contained in this circular
“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 adjustments) at any time from the date falling 6 months after the issue date of the Warrants to the date falling 7 days prior to the third anniversary of the issue of the Warrants (both dates inclusive)
“US\$”	United States dollars, the lawful currency of the United States of America
“Warrants”	warrants to be issued by Regal under the Bonus Issue which carry the benefit of the Subscription Right

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## EXPECTED TIMETABLE

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2004

Last day of dealings in Regal Shares cum-entitlements to the Bonus Issue . . . .	Monday, 12th July
First day of dealings in Regal Shares ex-entitlements to the Bonus Issue . . . . .	Tuesday, 13th July
Latest time for lodging of transfers for entitlements to the Bonus Issue . . . . .	4:30 p.m. on Wednesday, 14th July
Latest time for lodging proxy forms for the Regal SGM . . . . .	11:00 a.m. on Saturday, 17th July
Register of members closes, both dates inclusive . . . . .	Thursday, 15th July to Monday, 19th July
Record Date . . . . .	Monday, 19th July
Regal SGM . . . . .	11:00 a.m. on Monday, 19th July
Despatch of Warrants certificates . . . . .	Monday, 2nd August
Trading in Warrants on the Stock Exchange begins . . . . .	Wednesday, 4th August



*Directors:*

LO Yuk Sui (*Chairman and Managing Director*)

Donald FAN Tung

\* Dominic LAI

Tommy LAM Chi Chung

# Kitty LO LEE Kit Tai

Jimmy LO Chun To

Kenneth NG Kwai Kai

\* Thomas NG Wai Hung

# Kai Ole RINGENSON

\* Alex WU Shu Chih, CBE, LL D, FBIM FIOP, F Inst D, JP

Belinda YEUNG Bik Yiu

*Head office and principal place  
of business:*

18th Floor, Paliburg Plaza

68 Yee Wo Street

Causeway Bay

Hong Kong

\* *Independent Non-Executive Directors*

# *Non-Executive Director*

30th June, 2004

*To shareholders of Regal*

Dear Sir or Madam,

**Issue of 2% Guaranteed Convertible Bonds due 2007  
Bonus issue of Warrants  
Increase in Authorised Share Capital  
Grant of General Mandate to Repurchase Warrants**

**INTRODUCTION**

As disclosed in the Announcement, the Issuer, Regal and the Subscribers entered into the Subscription Agreements in relation to the issue by the Issuer of the Bonds, which will carry rights, subject to the terms and conditions as summarised in this circular, to convert into new Regal Shares at the Conversion Price, being initially HK\$0.25 per Regal Share.

The Board has proposed 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, subject to the terms and conditions as summarised in this circular.



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## LETTER FROM THE BOARD

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The Board has also proposed to increase the authorised share capital from approximately HK\$101.3 million to approximately HK\$201.3 million.

On 3rd June, 2004, Dragon Root, a wholly owned subsidiary of Regal, exercised the ROH Termination Option and served the termination notice on the Purchaser to terminate the SP Agreement. The termination became effective 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 the 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 the date of the Announcement) and a discount of approximately 18.4% to the average closing price of HK\$0.245 per Regal Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 3rd June, 2004.

The new Regal Shares to be issued to the Purchaser for the termination of 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. Such Regal Shares will be issued under the general mandate granted to the Board on 12th June, 2003. Regal has applied 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.

The purpose of this circular is to provide you with further information on the issue of the Bonds, the Bonus Issue, the proposed increase in the authorised share capital of Regal and the proposed granting of the Repurchase Mandate to the Board.

### **SUBSCRIPTION AGREEMENTS**

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 resigned as a director of Regal with effect 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 Regal under the Listing Rules. The two Subscription Agreements have substantially the same terms and conditions as described below.

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# LETTER FROM THE BOARD

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## **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 summarised 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 the date of the Announcement; (ii) a premium of approximately 2.0% over the average closing price of HK\$0.245 per Regal Share for the last five trading days as quoted on the Stock Exchange up to and including 3rd June, 2004; (iii) the equivalent of the closing price of HK\$0.25 per Regal Share as quoted on the Stock Exchange on the Latest Practicable Date and (iv) a premium of approximately 1.6% over the average closing price of HK\$0.246 per Regal Share for the last five trading days as quoted on the Stock Exchange up to and including the Latest Practicable Date.

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 date falling 90 days prior to the Maturity Date, subject to the completion of the relevant Subscription Agreements. The Optional Bonds have the same terms and conditions as the Firm Bonds.

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## LETTER FROM THE BOARD

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### *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. Regal will notify the Stock Exchange of any dealings in the Bonds by any connected persons (as defined under the Listing Rules) of Regal upon it becoming aware of such dealings.

### *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.

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## LETTER FROM THE BOARD

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### **Use of proceeds from the issue of the Bonds**

As stated in the audited consolidated financial statements of Regal, the Regal Group 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 the 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 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 approval from the Stock Exchange for the listing of, and permission to deal in, the new Regal Shares which may fall to be issued upon conversion of the Bonds; and
3. obtaining approvals from the Century City Shareholders at the Century City SGM and the Paliburg Shareholders at the Paliburg SGM for the issue of the Bonds.

The 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.

### **Application for listing**

Regal has applied 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.

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## LETTER FROM THE BOARD

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### **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 issue 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 the 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 WARRANTS**

#### **The Bonus Issue**

The Board has proposed, 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 attaching to the Warrant 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 the date falling 6 months after the issue date of the Warrants to the date falling 7 days prior to the third anniversary of the issue of the Warrants (both dates inclusive). The expected expiry date of the Subscription Rights under the Warrants will be on 26th July, 2007.

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.

A summary of the principal terms of the Warrants is set out in Appendix I to this circular.

The Warrants are expected to be traded in board lots of 20,000 units amounting to an aggregate Subscription Rights of HK\$5,000.

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## LETTER FROM THE BOARD

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### **Regal Shares to be issued upon exercise of the Warrants**

Based on the approximately 8,145.4 million Regal Shares in issue on the Latest Practicable Date 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 issued ordinary share capital of Regal as at the Latest Practicable Date. As at the Latest Practicable Date, approximately 16,748 Regal Convertible Preference Shares were 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 were held by Paliburg. The total number of Regal Shares which may fall to be issued upon (i) exercise of all the Warrants which may be issued under the Bonus Issue based on (a) the number of Regal Shares in issue as at the Latest Practicable Date and the 195 million Regal Shares that will be issued pursuant to the termination of the SP Agreement and (b) the initial Subscription Price and (ii) conversion of all the outstanding Convertible Preference Shares based on their prevailing conversion price as at the Latest Practicable Date would represent approximately 11.2% of the issued ordinary share capital of Regal as at the Latest Practicable Date, which is within the 20% limit under Rule 15.02(1) of the Listing Rules. 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.

### **Overseas Regal Shareholders**

This circular will not be registered under any securities legislation of any jurisdiction outside Hong Kong and Bermuda. After making necessary enquiry regarding the overseas legal or other regulatory requirements which Regal may be required to comply with in respect of the issue of the Warrants to the Overseas Regal Shareholders, the directors of Regal consider it not necessary or expedient to issue the Warrants to the Overseas Regal Shareholders. The directors of Regal form such view after taking into account the necessity, practicality and/or costs of complying or ensuring compliance with the relevant overseas legal or other regulatory requirements, in the absence of which the issue of the Warrants to the Overseas Regal Shareholders may be unlawful or impractical. Hence, the Warrants which would otherwise be issued to the Overseas 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 Overseas 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 shareholder is less than HK\$100, in which case it will be retained for the benefit of Regal.

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## LETTER FROM THE BOARD

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Regal has sent this circular to the Overseas Regal Shareholders for their information. The Overseas Regal Shareholders will have the right to vote at the Regal SGM in respect of the resolutions set out in the notice of the Regal SGM contained in this circular.

### **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 the Subscription Price and the Conversion Price are both 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.

### **Certificates for the Warrants**

It is expected that certificates for the Warrants will be posted on or around Monday, 2nd August, 2004 at the risk of the Qualifying Regal Shareholders to their respective addresses shown on the register of members of Regal.

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## LETTER FROM THE BOARD

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### Closure of register of members

The register of members of Regal will be closed from Thursday, 15th July, 2004 to Monday, 19th July, 2004 (both dates inclusive) in order to determine entitlements to the Bonus Issue. **To qualify for the Bonus Issue, investors must ensure that all forms of transfers of Regal Shares accompanied by the relevant certificates for the Regal Shares are lodged with the branch share registrar of Regal in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 14th July, 2004.**

### Listing and dealings

Application has been made to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, the Warrants and the Regal Shares which may fall to be issued upon the exercise of the Subscription Rights attaching to the Warrants. Necessary arrangements, including an application, will be made to HKSCC to enable the Warrants to be accepted by HKSCC as eligible securities for deposit, clearance and settlement in CCASS.

Dealings in the Warrants on the Stock Exchange are expected to commence on Wednesday, 4th August, 2004.

Subject to the granting of the listing of, and permission to deal in, the Warrants and the Regal Shares which may fall to be issued pursuant to the exercise of the Subscription Rights attaching to the Warrants on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Warrants will not be listed or traded on any other stock exchange other than the Stock Exchange and no such listing, or permission to deal in, is being or proposed to be sought. Dealings in the Warrants and the Regal Shares which may fall to be issued upon the exercise of the Subscription Rights attaching to the Warrants on the register of members of Regal in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

### GRANT OF REPURCHASE MANDATE

The Board proposes to put forward a resolution at the Regal SGM to grant the Repurchase Mandate to the Board to purchase Warrants on the market not exceeding 10% of the total amount of the Warrants outstanding as at the date of their issue subject to the relevant provisions of the Listing Rules. Shareholders of Regal may refer to the "Explanatory statement" in Appendix II to this circular for details of the Repurchase Mandate.



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## LETTER FROM THE BOARD

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### **INCREASE IN AUTHORISED SHARE CAPITAL OF REGAL**

As at the Latest Practicable Date, the authorised share capital of Regal comprised HK\$100 million divided into 10,000 million Regal Shares and US\$167,480 (equivalent to approximately HK\$1.3 million) divided into 16,748 Regal Convertible Preference Shares. Of the authorised share capital of Regal, approximately 8,145.4 million Regal Shares and 16,748 Regal Convertible Preference Shares were in issue as at the Latest Practicable Date. 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 or other equity issues of Regal. The Board has proposed to increase the authorised ordinary share capital of Regal to HK\$200 million by the creation of an additional 10,000 million new Regal Shares. Upon such increase in authorised share capital taking effect, the authorised share capital of Regal will comprise HK\$200 million divided into 20,000 million Regal Shares of HK\$0.01 each and US\$167,480 (equivalent to approximately HK\$1.3 million) divided into 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**

As at the Latest Practicable Date, Paliburg held an aggregate of approximately 53.7% of the issued ordinary share capital of Regal, of which approximately 44.9% was beneficially owned by Paliburg and the remaining approximately 8.8% was 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 the 2002 Circulars. All the Regal Shares held by the SPV will be released by 31st July, 2004.

## LETTER FROM THE BOARD

The table below sets out the shareholding structure of Regal as at the Latest Practicable Date and the shareholding structure of Regal after (i) issue of 195 million new Regal Shares to the Purchaser pursuant to termination of the SP Agreement; (ii) release of approximately 716.6 million Regal Shares held by the SPV in full by 31st July, 2004 as described in the 2002 Circulars; (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 in full 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.

	As at the Latest Practicable Date		Upon issue of 195 million new Regal Shares to the Purchaser pursuant to the termination of the SP Agreement				Upon release of approximately 716.6 million Regal Shares by 31st July, 2004 pursuant to the settlement proposal as described in the 2002 Circulars				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		Number of Regal Shares million		Number of Regal Shares million		Number of Regal Shares million		Number of Regal Shares million		Number of Regal Shares million	
		%		%		%		%		%		%		%
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	716.6	8.80%	716.6	8.59%	—	—	—	—	—	—	—	—	—	—
Sub-total	4,370.4	53.66%	4,370.4	52.40%	3,653.8	43.81%	3,653.8	39.97%	3,653.8	36.76%	4,019.2	37.30%		
Directors of Regal	2.6	0.03%	2.6	0.03%	2.6	0.03%	2.6	0.03%	2.6	0.03%	2.9	0.03%		
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 the 2002 Circulars)	—	—	—	—	716.6	8.59%	716.6	7.84%	716.6	7.21%	788.3	7.32%		
Existing public Regal Shareholders	3,724.4	45.72%	3,724.4	44.65%	3,724.4	44.65%	3,724.4	40.75%	3,724.4	37.46%	4,096.7	38.02%		
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.

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## LETTER FROM THE BOARD

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### REGAL SGM

A notice convening the Regal SGM to consider and approve (i) the issue of the Bonds and the Regal Shares which may fall to be issued upon conversions of the Bonds; (ii) the Bonus Issue and the Regal Shares which may fall to be issued upon exercise of the Subscription Rights; (iii) the increase in the authorised share capital of Regal; and (iv) granting of the Repurchase Mandate to the Board is set out on pages 36 to 39 of this circular. Any Subscribers or their respective associates holding any Regal Shares will abstain from voting in the Regal SGM in respect of the resolution for approving the issue of the Bonds and the Regal Shares which may fall to be issued upon exercise of the Bonds.

A form of proxy for use at the Regal SGM is enclosed. If you are not able to attend the Regal SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the office of the branch share registrar of Regal in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Regal SGM. Completion and return of a form of proxy will not preclude you from attending and voting at the Regal SGM or at any adjourned meeting if you so wish.

Pursuant to the bye-laws of Regal, a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by the chairman of the Regal SGM or:

- (a) by at least three shareholders of Regal present in person (or in the case of a shareholder of Regal being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the Regal SGM;
- (b) by a shareholder of Regal or shareholders of Regal present in person (or in the case of a shareholder of Regal 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 shareholders of Regal having the right to vote at the Regal SGM; or
- (c) by a shareholder of Regal or shareholders of Regal present in person (or in the case of a shareholder of Regal being a corporation, by its duly authorised representative) or by proxy and holding shares of Regal conferring a right to vote at the Regal SGM being shares of Regal in which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares of Regal conferring that right.

### RECOMMENDATION

The Board considers that the issue of the Bonds, the Bonus Issue, the increase in authorised share capital of Regal and the granting of the Repurchase Mandate to the Board are in the interests of Regal and its shareholders as a whole. Accordingly, the directors of Regal recommend the Regal Shareholders to vote in favour of the ordinary resolutions to be proposed at the Regal SGM.

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## LETTER FROM THE BOARD

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### DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Linklaters at 10th Floor, Alexandra House, Chater Road, Hong Kong during normal business hours from the date of this circular up to and including 19th July, 2004 and will be available for inspection at the Regal SGM:

- (a) the Subscription Agreements;
- (b) a draft (subject to non-material amendment) of the instrument constituting the Warrants;
- (c) a draft of the certificate for the Warrants (subject to modification); and
- (d) the memorandum of association and the bye-laws of Regal.

### FURTHER INFORMATION

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

Yours faithfully,  
By Order of the Board  
**Lo Yuk Sui**  
*Chairman*

The Warrants upon issue will be subject to and with the benefit of an instrument by way of deed poll to be executed by Regal (the “Instrument”) and will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

The Warrants will represent direct obligations of Regal to the registered holders for the time being of the Warrants (the “Warrantholders”). The principal terms and conditions of the Warrants will be set out in the certificates for the Warrants (the “Warrant Certificates”). The Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions (the “Conditions”) and of the provisions of the Instrument, copies of which will be available for inspection at the registrar of Regal for the time being in Hong Kong in respect of the Warrants (the “Registrar”). The following is a summary of the principal provisions of the Instrument and is subject to the provisions of the Instrument.

## 1. SUBSCRIPTION RIGHTS

- (a) Subject to the provisions in the Instrument and in compliance with all fiscal and other laws and regulations applicable thereto, the Warrantholder shall have the Subscription Right, in units of HK\$0.25 each, which may be exercised in whole or in part, but not in respect of a fraction of a Regal Share, at any time from 9:00 a.m. on the date falling six months after issue of the Warrants to 4:00 p.m. on the date falling seven days prior to the third anniversary of the issue of the Warrants (the “Subscription Period”), to subscribe in Hong Kong dollars in cash an amount up to the amount stated on the Warrant Certificate (the “Exercise Moneys”) for fully paid Regal Shares at the Subscription Price per Regal Share (subject to adjustment as referred to below). Upon expiry of the Subscription Period, any Subscription Rights which have not been exercised shall lapse and the Warrant Certificates shall cease to be valid for any purpose whatsoever. According to the tentative timetable set out in this circular, the Warrants will be issued on 2nd August, 2004, the Subscription Period would be from 2nd February, 2005 to 26th July, 2007 (both dates inclusive).
- (b) The entitlements of the Warrantholders to their Warrants will be evidenced by the Warrant Certificates, each of which will contain a subscription form (the “Subscription Form”). In order to exercise in whole or in part the Subscription Rights, the Warrantholder must complete and sign the Subscription Form (which shall be irrevocable) and deliver the same to the Registrar, together with a remittance for the Exercise Moneys (or, in the case of a partial exercise, the relevant portion of the Exercise Moneys), being the aggregate amount of the Subscription Rights which the Warrantholder is exercising. In each case, compliance must also be made with any fiscal or other laws or regulations for the time being applicable.
- (c) The number of Regal Shares to be allotted on exercise of the Subscription Rights shall be calculated by dividing the amount of Exercise Moneys specified in the relevant Subscription Form and duly remitted as aforesaid by the Subscription Price applicable on the subscription date.
- (d) Regal has undertaken in the Instrument that any Regal Shares falling to be issued upon the exercise of any of the Subscription Rights represented by the Warrant Certificate shall be issued and allotted not later than 10 business days after the relevant subscription date,

taking account of any adjustment which may have been made pursuant to the adjustment provisions under the Instrument, a summary of which is set out in paragraph 2(a) below, and shall rank pari passu with the Regal Shares in issue on the relevant subscription date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the relevant subscription date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant subscription date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant subscription date.

- (e) Subject to the provisions under paragraph 15, as soon as practicable after the relevant allotment of Regal Shares (and, in any event, not later than 10 business days after the relevant subscription date) there shall be issued free of charge to the Warrantholder(s) of the Warrant(s) represented by the Warrant Certificate:
- (i) a certificate (or certificates) for the relevant Regal Shares in the name(s) of such Warrantholder(s);
  - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights remaining unexercised.

The certificate(s) for Regal Shares arising on the exercise of Subscription Rights and the balancing Warrant Certificate (if any) shall be sent the relevant Warrantholder(s) at his/her/its/their own risk to the address of such Warrantholder(s) registered in the register of the Warrants. If Regal agrees, such Warrant Certificates may by prior arrangement be retained by the Registrar to await collection by the relevant Warrantholder.

## 2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument will contain full provisions relating to the adjustment of the Subscription Price. The following is a summary of the adjustment provisions of the Instrument:

- (a) The Subscription Price will be subject to adjustment as follows:
- (i) (1) If Regal shall issue Regal Shares at a consideration (including cash consideration or otherwise) per Regal Share (the “Issue Price”) which is less than the prevailing Subscription Price or (2) if Regal or any other company shall issue (for cash or otherwise) securities convertible into (or any other rights to acquire) new Regal Shares, at a conversion price or subscription price (the “Strike Price”) which is less than the prevailing Subscription Price, the Subscription Price shall be adjusted downwards to such Issue Price or Strike Price (as the case may be) (prior to deduction of any fees or commissions) PROVIDED THAT the adjusted Subscription Price shall not be less than the par value of the Regal Shares on the date of the subscription unless permitted by relevant law and in compliance with the Listing Rules.

The adjustment to the Subscription Price made pursuant to this paragraph shall become effective on the date of (1) the issue of the Regal Shares at the Issue Price or (2) the issue of the securities or rights carrying the Strike Price (as the case may be).

For the avoidance of doubt, any adjustments to the Subscription Price made pursuant to this paragraph shall only be downward adjustments and shall not be retroactive.

- (ii) If Regal shall (i) make a stock split (which means any kind of stock split in relation to the Regal Shares, including a bonus share distribution, a stock dividend distribution or a sub-division of Regal Shares), (ii) consolidate its outstanding Regal Shares into a smaller number of shares, or (iii) re-classify any of the Regal Shares into other securities of Regal, then the Subscription Price shall be appropriately adjusted so that the holder of any Warrant, the date of the subscription in respect of which occurs after the coming into effect of the adjustment described in this paragraph, shall be entitled to receive the number of Regal Shares and/or other securities of Regal which it would have held or have been entitled to receive after the happening of any of the events described above had the Subscription Right of such Warrant been exercised immediately prior to the happening of such event (or, if Regal has fixed a prior record date for the determination of Regal Shareholders entitled to receive any such Regal Shares or other securities issued upon any such stock split, consolidations or re-classification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Subscription Price made with effect from the date of the happening of such event (or such record date) or any time thereafter. An adjustment made pursuant to this paragraph shall become effective immediately on the relevant event becoming effective or, if a prior record date is fixed therefor, immediately after the record date; PROVIDED THAT in the case of a relevant transaction which must, under applicable Hong Kong or Bermuda law, be submitted for approval to a general meeting of shareholders or to a meeting of the Board before being legally effective, and which is so approved after the record date fixed for the determination of shareholders of Regal entitled to receive such Regal Shares or other securities of Regal, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.
- (iii) If and whenever Regal shall make any Capital Distribution (as defined below) to the Regal Shareholders, the Subscription Price shall be adjusted by multiplying the prevailing Subscription Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price (as defined below) of one Regal Share on the last Trading Day (as defined below) preceding the date on which the Capital Distribution is publicly announced; and

B is the Fair Market Value (as defined below) of such Capital Distribution on the date of such announcement, as determined in good faith by either the auditors or a merchant bank (at the sole discretion of the directors of Regal), of the portion of the Capital Distribution attributable to one Regal Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made.

- (iv) Subject to the provisions under paragraph 2(a)(i) above, if and whenever Regal shall issue Regal Shares to all or substantially all Regal Shareholders as a class by way of rights, or issue or grant to all or substantially all Regal Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Regal Shares, in each case at less than 95 per cent. of the Current Market Price per Regal Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the number of Regal Shares in issue immediately before such announcement;

B is the number of Regal Shares which the aggregate amount (if any) payable for the Regal Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Regal Shares comprised therein would purchase at such Current Market Price per Regal Share; and

C is the aggregate number of Regal Shares issued or, as the case may be, comprised in the issue or grant (excluding Regal Shares not taken up).

Such adjustment shall become effective on the date of issue of such Regal Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (v) Subject to the provisions under paragraph 2(a)(i) above, if and whenever Regal shall issue any securities (other than Regal Shares, or options or any securities convertible or exchangeable into Regal Shares, or warrants or other rights to subscribe or purchase Regal Shares) to all or substantially all Regal Shareholders as a class by way of rights or grant to all or substantially all Regal Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any securities (other than



Regal Shares, or options or any securities convertible or exchangeable into Regal Shares, warrants or other rights to subscribe or purchase Regal Shares), the Subscription Price shall be adjusted by multiplying the prevailing Subscription Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Regal Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value of the securities or rights comprised in such issue or grant on the date of such announcement, as determined in good faith by either the auditors or a merchant bank (at the sole discretion of the directors of Regal), of the portion of the rights attributable to one Regal Share.

Such adjustment shall become effective on the date of issue of the securities or date of issue of such rights, options or warrants (as the case may be).

- (vi) Subject to the provisions under paragraph 2(a)(i) above, if and whenever Regal shall issue any Regal Shares, whether for cash or otherwise (other than Regal Shares issued on the exercise of Subscription Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Regal Shares) or the issue or grant of options, warrants or other rights to subscribe or purchase Regal Shares or securities convertible or exchangeable into Regal Shares, in each case at a price per Regal Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Subscription Price shall be adjusted by multiplying the prevailing Subscription Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the number of Regal Shares in issue immediately before the issue of such additional Regal Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Regal Shares;
- B is the number of Regal Shares which the aggregate consideration receivable for the issue of such additional Regal Shares would purchase at such Current Market Price per Regal Share; and
- C is the number of Regal Shares in issue immediately after the issue of such additional Regal Shares.

References to additional Regal Shares in the above formula shall, in the case of an issue by Regal of options, warrants or other rights to subscribe or purchase Regal Shares, mean such Regal Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Regal Shares or, as the case may be, the issue of such options, warrants or other rights.

- (vii) Subject to the provisions under paragraph 2(a)(i) above, save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph, if and whenever Regal (otherwise than as mentioned in paragraphs 2(a)(iv), (v) or (vi)), or (at the direction or request of or pursuant to any arrangements with Regal) any other person or entity shall issue any securities (other than the Warrants) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Regal Shares to be issued by Regal on conversion or subscription at a consideration per Regal Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Subscription Price shall be adjusted by multiplying the prevailing Subscription Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Regal Shares in issue immediately before such issue;
- B is the number of Regal Shares which the aggregate consideration receivable by Regal for the Regal Shares to be issued on conversion or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Regal Share; and
- C is the number of Regal Shares to be issued on conversion of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

“**Capital Distribution**” means any distribution of assets in specie by Regal in respect of any financial period (whenever paid or made and however described) (and for these purposes a distribution of assets in specie includes without limitation an issue of Regal Shares or other securities credited as fully or partly paid by way of capitalisation of reserves but does not include any distributions of cash); unless:

- (i) (and to the extent that) the value of the Capital Distribution does not, when taken together with any other dividend or distribution previously made or paid in respect of all periods after 31st December, 2003, exceed the aggregate of the consolidated net profits for such periods (less the aggregate of any consolidated net losses) attributable to shareholders after deducting minority interests and preference dividends (if any) but (a) deducting any amounts in respect of any asset previously credited to Regal’s reserves (in respect of any period or date up to and including 31st December, 2003) pursuant to any revaluation of such asset, where amounts arising on the disposal of such asset have contributed to such profits and (b) deducting any exceptional and extraordinary items, (and for the avoidance of doubt after excluding any amount arising as a result of any reduction in registered capital, share premium account or capital redemption reserve), in each case calculated by reference to the audited consolidated profit and loss accounts for such periods of Regal and its subsidiaries, or
- (ii) it comprises a purchase or redemption of Regal Shares by or on behalf of Regal in accordance with the Listing Rules.

In making any such calculation, such adjustments (if any) shall be made as either the auditors or a merchant bank (at the sole discretion of the directors of Regal), may consider appropriate to reflect (a) any consolidation or subdivision of the Regal Shares, (b) issues of Regal Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Regal Shares.

“**Current Market Price**” means, in respect of a Regal Share at a particular date, the average of the closing prices for one Regal Share (being a Regal Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said five Trading Day period the Regal Shares shall have been quoted ex-dividend and during some other part of that period the Regal Shares shall have been quoted cum-dividend then:

- (i) if the Regal Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Regal Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Regal Share; or
- (ii) if the Regal Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Regal Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the Regal Shares on each of the said five Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Regal Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Regal Share.

“**Fair Market Value**” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by the auditors or a merchant bank (at the sole discretion of the directors of Regal), provided that (i) the fair market value of a cash dividend paid or to be paid per Regal Share shall be the amount of such cash dividend per Regal Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such auditors or merchant bank (as the case may be)) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

“**Trading Day**” means a day when the Stock Exchange is open for dealing business, provided that if no closing price is reported in respect of the relevant Regal Shares on the Stock Exchange for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.

- (b) Any adjustment to the Subscription Price shall be made to the nearest one Hong Kong cent so that any amount under half a cent shall be rounded down and any amount of half a Hong Kong cent or more shall be rounded up. In addition to any determination which may be made by the directors of Regal, every adjustment to the Subscription Price shall be certified (at the sole discretion of the directors of Regal) either by the auditors or a merchant bank.

The Subscription Price may not be reduced so that, on exercise of the Subscription Rights, Regal Shares would fall to be issued at a discount to their par value.

Where two or more events which give or may give rise to an adjustment to the Subscription Price occur within such a short period of time that in the opinion of the auditors or a merchant bank (at the sole discretion of the directors of Regal), the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such auditors or merchant bank (as the case may be) to be in its opinion appropriate in order to give such intended result.

No adjustment involving an increase in the Subscription Price will be made, except in the case of a consolidation of the Regal Shares as referred to in provisions under paragraph 2(a)(ii) above.

- (c) The provisions of paragraph 2(a) shall not apply to:
- (i) (1) an issue of fully-paid Regal Shares upon the exercise of any conversion rights attached to securities convertible into Regal Shares (including any issue of Regal Shares pursuant to the conversion of any Bonds into Regal Shares) or upon exercise of any rights (including the Subscription Rights) to acquire Regal Shares or (2) any adjustment in the conversion price of any securities existing at any time on or after the date of the Instrument and convertible into Regal Shares, if such adjustment is in accordance with the terms of such securities existing at any time on or after the date of the Instrument provided that an adjustment has been made (if appropriate) under this paragraph 2 in respect of the issue of such securities or granting of such rights (as the case may be);
  - (ii) an issue of Regal Shares or other securities of Regal or any of its subsidiary wholly or partly convertible into, or rights to acquire, Regal Shares pursuant to a share option scheme of Regal established in accordance with Chapter 17 of the Listing Rules;
  - (iii) an issue by Regal of Regal Shares or by Regal or any of its subsidiary of securities wholly or partly convertible into or rights to acquire Regal Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business provided that an adjustment has been made (if appropriate) under this paragraph 2 in respect of the issue of such securities or granting of such rights (as the case may be);
  - (iv) an issue of Regal Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Regal Shares so issued is capitalised and the market value of such Regal Shares is not more than 105 percent of the amount of dividend which holders of the Regal Shares could elect to or would otherwise receive in cash, for which purpose the “market value” of such a Regal Share shall mean the average of the closing prices of Regal Shares on the Stock Exchange for such Trading Days (being not less than five such days) as are selected by the directors of Regal in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Regal Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash;
  - (v) the issue of the Bonds (including any issue of Regal Shares pursuant to such Bonds and any adjustments to the conversion price in respect of such Bonds, pursuant to their terms and conditions); or
  - (vi) any issue of exchangeable securities which are exchangeable into existing Regal Shares in a non-dilutive manner.

- (d) Notwithstanding the provisions contained in the Instrument or the Warrant Certificate, in any circumstances where the directors of Regal may consider that an adjustment to the Subscription Price:
- (i) provided for under those provisions should not be made or should be calculated on a different basis;
  - (ii) should be made notwithstanding that no such adjustment is required under those provisions; or
  - (iii) shall take effect on a different date or at a different time from that provided for under those provisions,

Regal may appoint the auditors or a merchant bank (at the sole discretion of the directors of Regal) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such auditors or merchant bank (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such auditors or merchant bank (as the case may be) to be in its opinion appropriate.

- (e) Whenever the Subscription Price is adjusted as herein provided, Regal shall give notice to the Warrantheolders within seven business days that the Subscription Price has been adjusted (setting forth brief particulars of the event(s) giving rise to the adjustment, the Subscription Price in effect prior to such adjustment, the adjusted Subscription Price and the effective date thereof) and shall at all times thereafter for so long as any of the Subscription Rights remains exercisable, make available for inspection at its principal place of business in Hong Kong a certificate signed by a director of Regal setting forth brief particulars of the event(s) giving rise to the adjustment, the Subscription Price in effect prior to such adjustment, the adjusted Subscription Price and the effective date thereof.

### 3. REGISTERED WARRANTS

The Warrants will be issued in registered form. Regal shall be entitled to treat the registered Warrantheolder as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it has express or other notice thereof.

#### 4. TRANSFER, TRANSMISSION AND REGISTER

The Warrants shall be transferable in whole or in integral multiples of units of Subscription Rights by instrument of transfer in any usual or common form or in any other form which may be approved by the directors of Regal. Transfers of Warrants must be executed by both the transferor and the transferee. Where the transferor or the transferee is HKSCC Nominees Limited or its successor(s), the transfers may be executed by the hand(s) of authorised person(s) or by machine imprinted signature. Regal shall maintain a register of Warrantholders in Hong Kong (the “Register”). The provisions of the bye-laws of Regal relating to the registration, transmission and transfer of Regal Shares and Regal’s register of members shall, mutatis mutandis, apply to the registration, transmission and transfer of the Warrants and shall have full effect as if the same had been incorporated in the Instrument.

Persons who hold Warrants and have not registered the Warrants in their own names and wish to transfer or exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing 10 business days prior to and including the last day of the Subscription Period.

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, Regal may determine the last trading day of the Warrants to be a date at least three trading days before the last day of the Subscription Period.

#### 5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers may be suspended and the Register may be closed at such times and for such periods as the director of Regal may from time to time direct, provided that the same shall not be closed for a period of more than 30 days in any one year. Any transfer or exercise of the Subscription Rights attaching to the Warrants made while the Register is closed shall, as between Regal and the person claiming under the relevant transfer of Warrants or, as between Regal and the Warrantholder who has so exercised their respective Subscription Rights attaching to their Warrants (but not otherwise), be considered as made immediately after the reopening of such Register.

#### 6. PURCHASE AND CANCELLATION

Regal or any of its subsidiaries may at any time purchase Warrants:

- (i) in the open market or by tender (available to all Warrantholders alike) at any price subject to the Code on Share Repurchases of Hong Kong (the “Code”), the Listing Rules and all other applicable laws, rules and regulations; or
- (ii) by private treaty subject to the Code, the Listing Rules and all other applicable laws, rules and regulations.

All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

## **7. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS**

- (a) The Instrument will contain provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including any modifications of the provisions of the Instrument and/or the Conditions by a resolution passed at a meeting of the Warrantholders duly convened and held and carried by a majority consisting of more than one-half of the votes cast upon a show of hands or, if a poll is duly demanded, by a majority consisting of more than one-half of the votes cast on a poll. A resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.
- (b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not Regal is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the Conditions and/or provisions of the Instrument) and the sanction of a resolution shall be necessary and sufficient to effect such alteration or abrogation.
- (c) Where the Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it think fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number of Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

## **8. QUORUM OF MEETING OF WARRANTHOLDERS**

The quorum of a meeting of the Warrantholders shall be two or more persons holding Warrants, present in person or by proxy and being or representing in aggregate not less than 10% of the value of the Subscription Rights of all Warrants for the time being outstanding and exercisable.

## **9. REPLACEMENT OF WARRANT CERTIFICATES**

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of Regal, be replaced at the office of the Registrar (or other place as the directors of Regal may determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as Regal may require and on payment of such fee not exceeding HK\$2.50 (or such other amount as may from time to time be permitted by the Stock Exchange) as Regal may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.



In the case of lost Warrant Certificates, Section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if “shares” referred to therein included Warrants.

## **10. PROTECTION OF SUBSCRIPTION RIGHTS**

The Instrument will contain undertakings by and restrictions on Regal designed to protect the Subscription Rights.

## **11. CALL**

If at any time the aggregate Subscription Rights of the Warrants which have not been exercised is less than 10% of the aggregate Subscription Rights attached to all the Warrants issued under the Instrument, Regal may, on giving not less than three months’ notice to that effect, require Warranholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, the unexercised Warrants shall be automatically cancelled without compensation to the Warranholders.

## **12. ISSUE OF FURTHER WARRANTS**

Regal shall be at liberty to issue further warrants, including warrants ranking *pari passu* with and forming one class with the Warrants, to subscribe for Regal Shares subject to and in accordance with the Listing Rules and all applicable laws, rules and regulations.

## **13. UNDERTAKINGS BY REGAL**

Regal will undertake in the Instrument, among other things, that:

- (a) it shall use its best endeavours to ensure that all Regal Shares allotted on the exercise of Subscription Rights shall, upon allotment or as soon as reasonably practicable thereafter, be admitted to listing on the Stock Exchange;
- (b) it shall send to each Warranholder, at the same time as the same are sent to the Regal Shareholders, its audited accounts and all other notices, reports and communications despatched by it to the Regal Shareholders generally, for information purposes only; and
- (c) it shall at all times keep available for issue, free from pre-emptive rights, out of its authorised but unissued capital sufficient Regal Shares to satisfy in full the Subscription Rights and all other outstanding rights of subscription for and conversion into Regal Shares.

**14. NOTICES**

The Instrument will contain provisions relating to notices to be given to Warrantheholders:

- (a) every Warrantheholder shall register with Regal an address either in Hong Kong or elsewhere to which notices may be given to such Warrantheholder and if any Warrantheholder shall fail to do so, notice may be given to such Warrantheholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three days at the registered office and/or principal office of Regal from time to time;
- (b) a notice may be given by delivery prepaid letter (airmail in the case of an overseas address) cable, telex message or by advertisement in newspapers in accordance with the requirements of the Stock Exchange; and
- (c) all notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the registers of Warrants and notice so given shall be sufficient notice to all the joint holders of such Warrants.

**15. OVERSEAS WARRANTHOLDERS**

If a Warrantheholder has a registered address in any territory other than Hong Kong, where in the opinion of the directors of Regal, the allotment of Regal Shares to such Warrantheholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory and, in the opinion of the directors of Regal such compliance would be unduly burdensome, then Regal shall as soon as practicable after exercise by such Warrantheholder of any Subscription Rights either:

- (a) allot the Regal Shares which would otherwise have been allotted to such Warrantheholder to one or more third parties selected by Regal; or
- (b) allot such Regal Shares to such Warrantheholders and then, on his behalf, sell them to one or more third parties selected by Regal.

In each case for a consideration which is then reasonably obtainable by Regal. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, Regal shall pay to the relevant Warrantheholder an amount equal to the consideration received by Regal therefor (but having deducted therefrom all expenses incurred by or on behalf of Regal in respect thereof) by posting the relevant remittance to him at his risk.

**16. RIGHTS OF WARRANTHOLDERS ON WINDING-UP**

If an effective resolution is passed for the voluntary winding-up of Regal, and such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them for such purpose by a resolution passed at the meeting of the Warrantholders, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by a resolution passed at the meeting of the Warrantholders, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.

In the event that a notice is given by Regal to the Regal Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind up Regal, in situations other than those falling under the preceding paragraph, Regal shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to Regal (such surrender to occur not later than five business days prior to the proposed Regal Shareholders' meeting referred to above) together with the duly completed Subscription Form(s) and payment of the Exercise Moneys or the relevant portion thereof, to exercise the Subscription Rights represented by such Warrant and Regal shall, as soon as practicable and, in any event, no later than the date immediately prior to the date of the proposed Regal Shareholders' meeting, allot such number of Regal Shares to the Warrantholder which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant. Regal shall give notice to Warrantholders of the passing of such resolution within seven days after the passing thereof.

Subject to the foregoing, if Regal is wound up, all Subscription Rights which have not been exercised at the commencement of the winding-up shall lapse and each Warrant Certificate will cease to be valid for any purposes.

**17. GOVERNING LAW**

The Instrument and the Warrants will be governed by and are to be construed in accordance with the laws of Hong Kong.

This section includes the explanatory statement required by the Stock Exchange to be presented to the shareholders of Regal concerning the Repurchase Mandate to purchase the Warrants proposed to be granted to the Board at the Regal SGM.

## **1. LISTING RULES FOR PURCHASES OF SECURITIES**

The Listing Rules provide that all proposed purchases by a company with a primary listing on the Stock Exchange of its own securities must be approved in advance by an ordinary resolution, either by way of a general mandate or by a specific approval of a particular transaction and that the securities to be purchased must be fully paid up.

## **2. FUNDING OF PURCHASES**

Any purchases of Warrants by the Regal Group will be made out of funds of the Regal Group which are legally available for the purpose in accordance with the memorandum of association and bye-laws of Regal and all applicable laws of Bermuda and Hong Kong.

The Board does not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Regal Group or the gearing ratio which in the opinion of the Board is from time to time appropriate for the Regal Group.

## **3. WARRANTS TO BE ISSUED**

Based on 8,145,439,162 Regal Shares in issue as at the Latest Practicable Date and the 195 million new Regal Shares to be issued pursuant to the termination of the SP Agreement and assuming there will be no other changes in the number of Regal Shares in issue between the Latest Practicable Date and the Record Date, Warrants in aggregate carrying Subscription Rights of HK\$208,510,980 will be issued pursuant to the Bonus Issue, and the Board will be authorised to purchase the Warrants with Subscription Rights up to HK\$20,851,098 pursuant to the Repurchase Mandate.

The Warrants are a new class of securities of Regal. No Warrants has been issued by Regal prior to the date of this circular.

## **4. REASONS FOR PURCHASES**

The Board believes that it is in the interests of Regal and its shareholders to have a general authority from the shareholders of Regal to enable the Board to purchase the Warrants on the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of Regal and/or the earnings per Regal Share and will only be made when the Board believes that such purchases will benefit Regal and its shareholders as a whole.

**5. UNDERTAKING OF THE BOARD**

The Board has undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules, and in accordance with the memorandum of association and the bye-laws of Regal and all applicable laws of Bermuda and Hong Kong.

**6. EFFECT OF THE CODE ON TAKEOVERS AND MERGERS**

The Board understands that the purchase of the Warrants on market will not have any implications under the Code on Takeovers and Mergers of Hong Kong.

**7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the directors of Regal nor, to the best of the knowledge and belief of the directors of Regal, having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the Bonus Issue is approved by the shareholders of Regal and becomes unconditional and the Repurchase Mandate is approved by the shareholders of Regal, to sell to Regal any Warrants which may be issued to them under the Bonus Issue.

No connected person (as defined under the Listing Rules) of Regal has notified Regal that he/she has a present intention to sell to Regal any Warrants which may be issued to them under the Bonus Issue or that he/she has undertaken not to sell to Regal any Warrants which may be issued to them under the Bonus Issue in the event that Regal is authorised to make purchases of the Warrants on the market.

**8. EFFECTIVE PERIOD OF THE REPURCHASES MANDATE**

The Board will be allowed to exercise the general authority under the Repurchase Mandate after listing of the Warrants on the Stock Exchange if the shareholders of Regal approve the resolution in respect of the Repurchase Mandate at the Regal SGM up to the earlier of (i) conclusion of the first annual general meeting of Regal after passing of the resolution in respect of the granting of the Repurchase Mandate to the Board; (ii) the expiration of the period within which the first annual general meeting of Regal following the passing of the resolution in respect of the granting of the Repurchase Mandate to the Board is required by the bye-laws of Regal or The Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and (iii) the date when an ordinary resolution is passed at a general meeting of Regal to the effect of revoking or varying the Repurchase Mandate.



(Stock Code: 78)

**NOTICE IS HEREBY GIVEN** that a special general meeting of Regal Hotels International Holdings Limited (the “Company”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 19th July, 2004 at 11:00 a.m. 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 performance by the Company of the subscription agreements (the “Subscription Agreements”, a copy each of which has been produced to this meeting marked “A” and initialled by the Chairman of this meeting for identification purpose) both dated 3rd June, 2004, one entered into between Cheerview Limited (the “Issuer”), the Company and Clovering Enterprise Limited, and the other entered into between the Issuer, the Company, Finance Noble Limited and Leader Advance Limited, and relating to the proposed issue of 2% Guaranteed Convertible Bonds due 2007 for an aggregate principal amount of up to HK\$400 million (the “Bonds”), the principal terms and conditions of which are set out or referred to in the circular to holders of Regal Shares (as defined below) (“Regal Shareholders”) dated 30th June, 2004 (the “Circular”, a copy of which has been produced to this meeting marked “B” and initialled by the Chairman of this meeting for identification purpose), be and is hereby approved;
- (B) the issue of the Bonds upon the terms and conditions as set out in the Subscription Agreements be and is hereby approved;
- (C) the issue and allotment of new ordinary shares of HK\$0.01 each in the share capital of the Company (“Regal Shares”) upon the due exercise of the conversion rights attaching to the Bonds be and is hereby approved;
- (D) the directors of the Company (the “Directors”) be and are hereby authorised to approve any amendments or modifications to the Subscription Agreements as they may, in their absolute discretion, consider necessary or desirable; and
- (E) the Directors be and are hereby authorised to (i) execute all such documents; and (ii) do all such other acts and things as they may, in their absolute discretion, consider necessary, desirable or expedient to effect, implement and complete the Subscription Agreements and any or all other transactions contemplated in this resolution.”

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## NOTICE OF REGAL SGM

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### ORDINARY RESOLUTION NO. 2

**“THAT:**

- (A) the bonus issue of warrants (“Warrants”) in units of subscription rights of HK\$0.25 each conferring rights on holders thereof to subscribe for new ordinary shares of HK\$0.01 each in the share capital of the Company (“Regal Shares”) at an initial subscription price of HK\$0.25 per Regal Share, subject to adjustments, at any time from the date falling six months after the issue of the Warrants to the date falling seven days prior to the third anniversary of the issue of the Warrants (both dates inclusive), or such other date provided in the instrument constituting the Warrants (“Warrant Instrument”, a final draft of which has been produced to this meeting marked “C” and initialled by the Chairman of this meeting for identification purpose) upon the terms and conditions set out in the Warrant Instrument to be executed by way of deed poll by the Company in the proportion of one unit of subscription right of HK\$0.25 for every 10 Regal Shares to holders of Regal Shares (“Regal Shareholders”) whose names appear on the register of members of the Company as at the close of business on the record date for the determination of entitlements to the issue of the Warrants (“Record Date”), provided that the entitlements of those Regal Shareholders whose addresses as at the close of business on the Record Date are outside Hong Kong will be dealt with in accordance with the arrangements set out in the section headed “Overseas Regal Shareholders” in the “Letter from the Board” contained in the circular to the Regal Shareholders dated 30th June, 2004, a copy of which has been produced to this meeting marked “B” and initialled by the Chairman of this meeting for identification purpose, be and is hereby approved;
- (B) the issue of new Regal Shares to holders of the Warrants upon the due exercise of subscription rights attached to the Warrants be and is hereby approved;
- (C) the directors of the Company (the “Directors”) be and are hereby authorised to approve any amendments or modifications to the Warrant Instrument as they may, in their absolute discretion, consider necessary or desirable; and
- (D) the Directors be and are hereby authorised to (i) execute all such documents; and (ii) do all such other acts and things as they may, in their absolute discretion, consider necessary, desirable or expedient to effect and implement the Warrant Instrument and effect, implement and complete any or all other transactions contemplated in this resolution.”

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## NOTICE OF REGAL SGM

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### ORDINARY RESOLUTION NO. 3

**“THAT:**

- (A) the authorised share capital of the Company be increased from HK\$100,000,000 comprising of 10,000 million ordinary shares of HK\$0.01 each in the share capital of the Company (“Regal Shares”) and US\$167,480 comprising of 16,748 5¼% convertible cumulative redeemable preference shares of US\$10 each (“Regal Convertible Preference Shares”) to HK\$200,000,000 comprising of 20,000 million Regal Shares and US\$167,480 comprising of 16,748 Regal Convertible Preference Shares with effect from the date of this resolution, by the creation of an additional 10,000 million new Regal Shares; and
- (B) the directors of the Company be and are hereby authorised to (i) execute all such documents and (ii) do all such other acts and things as they may, in their absolute discretion, consider necessary, desirable or expedient to effect and implement the increase in the authorised share capital of the Company contemplated in this resolution.”

### ORDINARY RESOLUTION NO. 4

**“THAT:**

- (A) subject to paragraph (C) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined below) of all powers of the Company to purchase warrants (the “Warrants”) which fall to be issued pursuant to Ordinary Resolution No. 2 set out in the notice of this meeting contained in the circular to holders of ordinary shares of HK\$0.01 each in the share capital of the Company dated 30th June, 2004, a copy of which has been produced to this meeting marked “B” and initialled by the Chairman of this meeting for identification purpose, on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the Warrants may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, at a price determined by the Directors, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (B) the authorisation given to the Directors in paragraph (A) shall be in addition to any other authorisation given to the Directors to purchase Warrants;
- (C) the aggregate amount of subscription rights attached to the Warrants to be purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph (A) during the Relevant Period shall not exceed 10% of the total amount of subscription rights attached to the Warrants outstanding as at the date of their issue; and



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## NOTICE OF REGAL SGM

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(D) for the purposes of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the first annual general meeting of the Company following the passing of this resolution;
- (ii) the expiration of the period within which the first annual general meeting of the Company following the passing of this resolution is required by the bye-laws of the Company or The Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and
- (iii) the date when an ordinary resolution is passed at a general meeting of the Company revoking or varying the authority given under this resolution.”

By Order of the Board  
**Eliza Lam Sau Fun**  
*Company Secretary*

Hong Kong, 30th June, 2004

*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

### 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. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the office of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting, as the case may be. Completion and return of the form of proxy will not preclude members from attending and voting at the meeting if members so desire.