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

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

**If you have sold or transferred** all your shares in **Paliburg Holdings Limited**, you should at once hand this circular to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**SUBSCRIPTION OF CONVERTIBLE BONDS IN  
COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED  
— DISCLOSEABLE TRANSACTION**

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## DEFINITIONS

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

“Announcement”	the announcement jointly made by Paliburg and Regal dated 6 December 2007
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Bonds”	the Tranche 1 CB, the Tranche 1 Optional CB, the Tranche 2 CB, and the Tranche 2 Optional CB
“CBs”	the Tranche 1 CB and the Tranche 2 CB
“CB Issuer”	Apex Team Limited, an indirect wholly-owned subsidiary of CIHL, being the issuer of the CBs and the Optional CBs
“CIHL”	Cosmopolitan International Holdings Limited, the ordinary shares of which are listed on the Stock Exchange
“CIHL Group”	CIHL and its subsidiaries
“CIHL Shares”	ordinary shares of CIHL of HK\$0.001 each
“Company” or “Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Conversion Price”	the conversion price of the CBs and the Optional CBs, initially being HK\$0.60 per Conversion Share, which is subject to adjustment
“Conversion Shares”	the new CIHL Shares falling to be issued upon the exercise of the conversion rights attached to the CBs and the Optional CBs
“Director(s)”	director(s) of the Company
“Group”	Paliburg and its subsidiaries
“Jumbo Pearl”	Jumbo Pearl Investments Limited, a wholly-owned subsidiary of Paliburg, being the subscriber of the Tranche 2 CB pursuant to the Tranche 2 Subscription Agreement
“Latest Practicable Date”	24 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion for this circular
“Lendas”	Lendas Investments Limited, a wholly-owned subsidiary of Paliburg and the subscriber of the 2009 CBs
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Maturity Date”	the maturity date for the CBs and the Optional CBs (if applicable), being the fifth anniversary of the issue date of the CBs
“Optional CBs”	the Tranche 1 Optional CB and the Tranche 2 Optional CB
“PRC”	the People’s Republic of China
“Regal Group”	Regal and its subsidiaries
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the subscribers of the CBs and the Optional CBs
“Subscription Agreements”	the Tranche 1 Subscription Agreement and the Tranche 2 Subscription Agreement
“Sun Joyous”	Sun Joyous Investments Limited, a wholly-owned subsidiary of Paliburg, being the grantee of an option to subscribe for the Tranche 2 Optional CB
“Time Crest”	Time Crest Investments Limited, a wholly-owned subsidiary of Regal, being the subscriber of the Tranche 1 CB pursuant to the Tranche 1 Subscription Agreement
“Tranche 1 CB”	the zero coupon guaranteed convertible bonds due 2013 in a principal amount of HK\$100 million to be issued to Time Crest pursuant to the Tranche 1 Subscription Agreement
“Tranche 1 Optional CB”	the zero coupon guaranteed convertible bonds due 2013 in a principal amount of up to HK\$100 million to be issued to Well Mount upon its exercise of an option granted by the CB Issuer pursuant to the Tranche 1 Subscription Agreement
“Tranche 1 Subscription Agreement”	the agreement entered into among Time Crest, Well Mount, the CB Issuer and CIHL on 6 December 2007 in respect of the subscription of the Tranche 1 CB and the Tranche 1 Optional CB
“Tranche 2 CB”	the zero coupon guaranteed convertible bonds due 2013 in a principal amount of HK\$100 million to be issued to Jumbo Pearl pursuant to the Tranche 2 Subscription Agreement
“Tranche 2 Optional CB”	the zero coupon guaranteed convertible bonds due 2013 in a principal amount of up to HK\$100 million to be issued to Sun Joyous upon its exercise of an option granted by the CB Issuer pursuant to the Tranche 2 Subscription Agreement

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## DEFINITIONS

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“Tranche 2 Subscription Agreement”	the agreement entered into among Jumbo Pearl, Sun Joyous, the CB Issuer and CIHL on 6 December 2007 in respect of the subscription of the Tranche 2 CB and the Tranche 2 Optional CB
“Valuegood”	Valuegood International Limited, an indirect wholly-owned subsidiary of Regal and the holder of certain 2010 CBs
“Well Mount”	Well Mount Investments Limited, a wholly-owned subsidiary of Regal, being the grantee of an option to subscribe for the Tranche 1 Optional CB
“2009 CBs”	zero coupon guaranteed convertible bonds in an aggregate principal amount of HK\$56,000,000 issued by Sinofair Investment Limited, a wholly-owned subsidiary of CIHL, to Lendas, which are convertible into 800,000,000 new CIHL Shares (subject to adjustment) and mature on 2 March 2009
“2010 CBs”	a series of zero coupon guaranteed convertible bonds due 2010 in an initial aggregate principal amount of HK\$205 million issued by Fancy Gold Limited, a wholly-owned subsidiary of CIHL, and as at the Latest Practicable Date, a principal amount of HK\$102.5 million of which was held by Valuegood, and a principal amount of HK\$41 million of which was held by an independent third party

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## LETTER FROM THE BOARD

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*Executive Directors:*

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)

Mr. Donald FAN Tung (*Chief Operating Officer*)

Mr. Jimmy LO Chun To

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Kenneth WONG Po Man

*Independent Non-Executive Directors:*

Mr. NG Siu Chan

Hon Abraham SHEK Lai Him, SBS, JP

Mr. WONG Chi Keung

*Registered Office:*

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

*Head Office and*

*Principal Place of Business:*

11th Floor

68 Yee Wo Street

Causeway Bay

Hong Kong

28 December 2007

*To the Shareholders and Warrantholders*

*(for information purposes only)*

Dear Sir or Madam,

### **SUBSCRIPTION OF CONVERTIBLE BONDS IN COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED — DISCLOSEABLE TRANSACTION**

#### **INTRODUCTION**

As set out in the Announcement, on 6 December 2007, Jumbo Pearl, Sun Joyous, the CB Issuer and CIHL entered into the Tranche 2 Subscription Agreement pursuant to which the CB Issuer has agreed (i) to issue the Tranche 2 CB in a principal amount of HK\$100 million to Jumbo Pearl and (ii) to grant an option to Sun Joyous to subscribe for the Tranche 2 Optional CB in a principal amount of up to HK\$100 million. Jumbo Pearl and Sun Joyous are wholly-owned subsidiaries of the Company.

In addition, on 6 December 2007, Time Crest, Well Mount, the CB Issuer and CIHL entered into the Tranche 1 Subscription Agreement pursuant to which the CB Issuer has agreed (i) to issue the Tranche 1 CB in a principal amount of HK\$100 million to Time Crest and (ii) to grant an option to Well Mount to subscribe for the Tranche 1 Optional CB in a principal amount up to HK\$100 million. Time Crest and Well Mount are wholly-owned subsidiaries of Regal.

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## LETTER FROM THE BOARD

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Each of the Tranche 1 CB, the Tranche 2 CB, the maximum principal amount of the Tranche 1 Optional CB and the maximum principal amount of the Tranche 2 Optional CB is convertible into 166,666,666 Conversion Shares at the initial Conversion Price of HK\$0.6 per Conversion Share, representing approximately 8.8% of the issued share capital of CIHL and approximately 8.1% of the issued share capital of CIHL as enlarged by the issue of 166,666,666 Conversion Shares.

The subscription of the Tranche 2 CB together with the possible subscription of the Tranche 2 Optional CB constitutes a discloseable transaction for Paliburg under the Listing Rules. The purpose of this circular is to set out details of the subscription of the Tranche 2 CB and the possible subscription of the Tranche 2 Optional CB to the shareholders of Paliburg as required under the Listing Rules for information purposes only.

### SUBSCRIPTION OF CONVERTIBLE BONDS

On 6 December 2007, Jumbo Pearl, Sun Joyous, the CB Issuer and CIHL entered into the Tranche 2 Subscription Agreement pursuant to which the CB Issuer has agreed (i) to issue the Tranche 2 CB to Jumbo Pearl and (ii) to grant an option to Sun Joyous to subscribe for the Tranche 2 Optional CB.

In addition, on 6 December 2007, Time Crest, Well Mount, the CB Issuer and CIHL entered into the Tranche 1 Subscription Agreement pursuant to which the CB Issuer has agreed (i) to issue the Tranche 1 CB to Time Crest and (ii) to grant an option to Well Mount to subscribe for the Tranche 1 Optional CB.

#### The Tranche 2 Subscription Agreement

The principal terms of the Tranche 2 Subscription Agreement are set out below:

Date: 6 December 2007

CB Issuer: Apex Team Limited, an indirect wholly-owned subsidiary of CIHL

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the CB Issuer and CIHL are parties independent of the Company and its connected persons. The business and shareholding relationships between the Group and the CIHL Group as at the Latest Practicable Date are set out in the section headed "Information on CIHL" below.

Guarantor: CIHL

Subscribers: (i) Jumbo Pearl as the subscriber of the Tranche 2 CB

(ii) Sun Joyous as the grantee of an option to subscribe for the Tranche 2 Optional CB

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## LETTER FROM THE BOARD

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Conditions: Completion of the Tranche 2 Subscription Agreement is conditional upon the fulfillment or waiver, as the case may be, of the following conditions:

- (i) the approvals by the shareholders of CIHL in respect of the Tranche 2 Subscription Agreement, granting the option to Sun Joyous in relation to the subscription of the Tranche 2 Optional CB, the issue of the CBs and the Optional CBs and the Conversion Shares;
- (ii) all relevant regulatory requirements (including but not limited to those under the Listing Rules and all other regulatory requirements in Hong Kong) having been complied with and satisfied by the CB Issuer, CIHL, the Subscribers and the Company;
- (iii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares;
- (iv) confirmation by Jumbo Pearl that the results of the financial and legal due diligence review on the CIHL Group are satisfactory in all respects;
- (v) up to and at the issue of the Tranche 2 CB, or if any Tranche 2 Optional CB are issued, at the issue of the Tranche 2 Optional CB, (a) all the representations and warranties of the CB Issuer and CIHL set forth in the Tranche 2 Subscription Agreement shall be accurate and correct in all material respects, (b) all the undertakings and obligations of the CB Issuer and CIHL set forth in the Tranche 2 Subscription Agreement to be performed on or before the issue of the Tranche 2 CB shall have been performed in all material respects, and (c) no event of default under the CBs or Optional CBs has occurred;
- (vi) execution by CIHL of a deed of guarantee and issue of the Tranche 2 CB and (if applicable) the Tranche 2 Optional CB substantially in the form set out in the Tranche 2 Subscription Agreement;
- (vii) certified true copies of board resolutions of the CB Issuer and CIHL approving and authorising the execution of the Tranche 2 Subscription Agreement and the deed of guarantee and the issue of the Tranche 2 CB and the Tranche 2 Optional CB being given to Jumbo Pearl and Sun Joyous;
- (viii) certified true copies of documentary evidence showing that the CB Issuer is an indirect wholly-owned subsidiary of CIHL being provided to Jumbo Pearl and Sun Joyous; and
- (ix) there being no material adverse change in the financial condition of the CIHL Group since the date of the Tranche 2 Subscription Agreement in the reasonable opinion of Jumbo Pearl and Sun Joyous.



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## LETTER FROM THE BOARD

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The terms of the Tranche 1 Subscription Agreement and the Tranche 2 Subscription Agreement are principally the same but they are not inter-conditional. Conditions (i), (ii) and (iii) under the Tranche 2 Subscription Agreement cannot be waived. If any of the conditions has not been satisfied (or, as the case may be, waived by Jumbo Pearl or Sun Joyous except for the conditions (i), (ii) and (iii) which cannot be waived) on or before 29 February 2008, or such other date as the parties may agree, the Tranche 2 Subscription Agreement shall lapse and none of the parties to the Tranche 2 Subscription Agreement shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the Tranche 2 Subscription Agreement.

On the date of signing of the Tranche 2 Subscription Agreement, Giant Sino Group Limited, a company holding approximately 45.26% of the issued share capital of CIHL as at the Latest Practicable Date undertook to each of Jumbo Pearl and Sun Joyous to vote in favour of any resolutions proposed at the general meeting of CIHL in connection with the transactions contemplated under the Tranche 2 Subscription Agreement.

**Option:** Sun Joyous shall be granted an option to subscribe for the Tranche 2 Optional CB on one or more occasions in an amount of HK\$1 million or integral multiples of HK\$1 million.

**Completion:** Issue of the Tranche 2 CB shall take place on the third business day following the day on which all conditions are fulfilled (or, as the case may be, waived).

### **Principal terms of the Tranche 2 CB and the Tranche 2 Optional CB**

The following is a summary of the principal terms of the Tranche 2 CB and the Tranche 2 Optional CB:

**Principal amount:** (i) Tranche 2 CB: HK\$100 million  
(ii) Tranche 2 Optional CB: up to HK\$100 million

**Conversion:** The holders of the Tranche 2 CB or the Tranche 2 Optional CB can exercise the conversion rights attached to the Tranche 2 CB or the Tranche 2 Optional CB to convert the outstanding principal amounts of the Tranche 2 CB or the Tranche 2 Optional CB in whole or in part into Conversion Shares at any time from 14 days after the issue of the Tranche 2 CB or the Tranche 2 Optional CB up to a date falling 14 days prior to the Maturity Date.

No conversion shall take place if as a result of such conversion, CIHL will not be able to meet the public float requirement under the Listing Rules.

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## LETTER FROM THE BOARD

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Conversion Price:	<p>The initial conversion price of HK\$0.60 per Conversion Share was arrived at after arm's length negotiation and represents:</p> <ul style="list-style-type: none"><li>(i) a premium of approximately 3.4% over the closing price of HK\$0.58 per CIHL Share quoted on the Stock Exchange on 23 November 2007, being the last trading day immediately before the suspension of the trading in CIHL Shares on 26 November 2007;</li><li>(ii) an equivalence to the average closing price per CIHL Share of HK\$0.60 as quoted on the Stock Exchange for the last ten trading days ended on 23 November 2007; and</li><li>(iii) a discount of approximately 6.3% to the closing price of HK\$0.64 per CIHL Share quoted on the Stock Exchange on the Latest Practicable Date.</li></ul> <p>The initial Conversion Price will be subject to adjustment for share consolidations, share subdivision, re-classification of shares into other securities, capitalisation issues, capital distributions, rights issues, and certain other dilutive events, including a downward adjustment to the effect that should CIHL issue new CIHL Shares (or securities convertible into new CIHL Shares) for cash or non-cash consideration per CIHL Share which is less than the prevailing Conversion Price, the Conversion Price shall be adjusted downwards to such issue price (but such adjustment shall not be retroactive).</p>
Interest rate:	<p>The Tranche 2 CB and the Tranche 2 Optional CB bear no coupon rate.</p>
Maturity Date:	<p>The fifth anniversary of the date of issue of the Tranche 2 CB. On the Maturity Date, all of the outstanding Tranche 2 CB and Tranche 2 Optional CB will be redeemed by CIHL at 128.01% of the outstanding principal amount of the Tranche 2 CB or the Tranche 2 Optional CB, representing a yield to maturity of 5% per annum, compounded semi-annually.</p>
Voting:	<p>A holder of the Tranche 2 CB or the Tranche 2 Optional CB will not be entitled to receive notice of, attend or vote at any general meeting of CIHL by reason only of it being a holder of the Tranche 2 CB or the Tranche 2 Optional CB.</p>
Listing:	<p>No application will be made for the listing of the CBs or the Optional CBs on the Stock Exchange or any other stock exchange.</p>

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## LETTER FROM THE BOARD

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Early redemption: The CB Issuer has the right, at any time prior to the Maturity Date, if not more than 10% of the principal amount of the Bonds is still outstanding, by giving not less than 15 nor more than 30 business days' notice to the holders of such Tranche 2 CB and/or such Tranche 2 Optional CB to redeem all the outstanding Tranche 2 CB and Tranche 2 Optional CB at an amount equals to the outstanding principal amounts of the Tranche 2 CB and the Tranche 2 Optional CB together with a redemption premium which the total redemption amount shall be calculated as follows:

$$\frac{\text{Redemption amount} \times 128.01\% \times \text{Days outstanding}}{5 \times 365}$$

Days outstanding represents the number of days from and including the day of issue of the Tranche 2 CB or the Tranche 2 Optional CB (as the case may be) to but excluding the date of the redemption.

Terms of the Tranche 1 CB and the Tranche 1 Optional CB are the same as the Tranche 2 CB and the Tranche 2 Optional CB.

### **Conversion Shares**

Each of the Tranche 1 CB, the Tranche 2 CB, the maximum principal amount of the Tranche 1 Optional CB and the maximum principal amount of the Tranche 2 Optional CB is convertible into 166,666,666 Conversion Shares at the initial Conversion Price of HK\$0.6 per Conversion Share, representing approximately 8.8% of the issued share capital of CIHL and approximately 8.1% of the issued share capital of CIHL as enlarged by the issue of 166,666,666 Conversion Shares.

The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Bonds will rank pari passu in all respects with all other CIHL Shares outstanding at the date of conversion of the Bonds. The Company understands from CIHL that CIHL will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

### **Information on CIHL**

The principal activities of the CIHL Group include property development and investment, securities trading and the provision of information technology services.

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## LETTER FROM THE BOARD

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The following table sets out the audited consolidated profit before and after taxation of CIHL for the two years ended 31 March 2007.

	For the year ended 31 March	
	2007	2006
	HK\$'000	HK\$'000
Profit/(loss) before taxation	6,196	(19,552)
Profit/(loss) after taxation	6,196	(19,552)

The audited consolidated net assets value of CIHL including minority interests was approximately HK\$193.2 million as at 31 March 2007.

In January 2007, a wholly-owned subsidiary of the Company, Paliburg Development BVI Holdings Limited, entered into an agreement with CIHL; and another wholly-owned subsidiary of the Company, Lendas, entered into a separate agreement with Sinofair Investment Limited, a wholly-owned subsidiary of CIHL. Pursuant to the two agreements, the Group, among other things, disposed of certain companies and the relevant shareholder's loan to the CIHL Group and as part of the consideration for the disposal, Sinofair Investment Limited issued to Lendas the unlisted 2009 CBs with an aggregate principal amount of HK\$56,000,000 on 2 March 2007. The 2009 CBs may be converted into 800,000,000 new CIHL Shares at the prevailing conversion price of HK\$0.07 per CIHL Share (subject to adjustment) subject to certain placement rights to CIHL Group and lock-up undertakings during the first year after issue. No 2009 CBs have been converted up to the Latest Practicable Date.

As set out in the announcement of the Company dated of 16 July 2007, the Company entered into a share swap agreement with an independent third party pursuant to which the Company has acquired 180,000,000 CIHL Shares at a total consideration of HK\$126 million which was satisfied by the Company issuing 336,000,000 new shares of the Company to the relevant seller.

The Company owned an approximately 44.97% interest in Regal as at the Latest Practicable Date.

The Regal Group owned 66,800,000 CIHL Shares, representing approximately 3.52% of the issued share capital of CIHL as at the Latest Practicable Date.

On 30 January 2007, the Regal Group entered into a non-binding letter of intent with CIHL in respect of an intended joint property development in Caozhong District, Shenyang City, Liaoning Province, the PRC.

In April 2007, Fancy Gold Limited, a wholly-owned subsidiary of CIHL, issued 2010 CBs with a principal amount of HK\$102,500,000 which may be converted into 500,000,000 new CIHL Shares at the prevailing conversion price of HK\$0.205 per CIHL Share (subject to adjustment) to a wholly-owned subsidiary of Regal. Paliburg understands from Regal that the Regal Group had not converted any of the 2010 CBs issued to it up to the Latest Practicable Date.

## LETTER FROM THE BOARD

The Regal Group and the CIHL Group have entered into a conditional agreement on 14 November 2007 pursuant to which the Regal Group has agreed to sell to the CIHL Group a 50% interest in a company which, through its subsidiaries, is engaged in a property development project in the PRC. The said acquisition of the 50% interest in the said subsidiary of Regal is subject to, inter alia, approval by the shareholders of CIHL.

Set out below are the shareholding structures of CIHL (based on the information provided by CIHL):

	As at the Latest Practicable Date		Upon conversion in full of the 2009 CBs held by the Group and the 2010 CBs held by the Regal Group (excluding the 2010 CBs held by a bondholder who is independent of the Group and the Regal Group) at the respective existing conversion prices but before any conversion of the CBs and the Optional CBs (assuming no other changes to the shareholding structure of CIHL)		Upon conversion in full of the 2009 CBs held by the Group, the 2010 CBs held by the Regal Group (excluding the 2010 CBs held by a bondholder who is independent of the Group and the Regal Group) and the Bonds at the respective existing/initial conversion prices (assuming no other changes to the shareholding structure of CIHL)		After (1) the 2009 CBs having been placed to public shareholders of CIHL if the placement right granted to the CIHL Group under the terms of the 2009 CBs is exercised and (2) conversion in full of the 2009 CBs, the 2010 CBs, the Bonds and the convertible bond to be issued by the CIHL Group to a company independent of the Group and the Regal Group in a maximum principal amount of HK\$25 million ("Further CB") (Note 2) at the respective existing/initial conversion prices (assuming no other changes to the shareholding structure of CIHL)		After (1) the 2009 CBs having been placed to public shareholders of CIHL if the placement right granted to the CIHL Group under the terms of the 2009 CBs is exercised and (2) upon conversion in full of the 2009 CBs, the 2010 CBs, the maximum principal amount of the Further CB and the Bonds and (3) full exercise of all the options to be granted by the CIHL Group conferring rights upon the grantees to subscribe for or acquire CIHL Shares on the date of grant and assuming that new CIHL Shares are issued to the grantees (Note 3) (assuming no other changes to the shareholding structure of CIHL Shares)	
	Number of CIHL Shares	%	Number of CIHL Shares	%	Number of CIHL Shares	%	Number of CIHL Shares	%	Number of CIHL Shares	%
The Group	—	—	980,000,000	30.66%	1,313,333,332	34.00%	513,333,332	12.51%	513,333,332	11.65%
The Regal Group	—	—	566,800,000	17.73%	900,133,332	23.30%	900,133,332	21.93%	900,133,332	20.44%
Giant Sino Group Limited	858,215,218	45.26%	858,215,218	26.85%	858,215,218	22.22%	858,215,218	20.91%	858,215,218	19.48%
<b>Public shareholders</b>										
The Group	180,000,000	9.49%	—	—	—	—	—	—	—	—
The Regal Group	66,800,000	3.52%	—	—	—	—	—	—	—	—
Other public shareholders	791,284,782	41.73%	791,284,782	24.76%	791,284,782	20.48%	1,832,951,447	44.65%	2,132,951,447	48.43%
<b>Total</b>	<b>1,896,300,000</b>	<b>100.00%</b>	<b>3,196,300,000</b>	<b>100.00%</b>	<b>3,862,966,664</b>	<b>100.00%</b>	<b>4,104,633,329</b>	<b>100.00%</b>	<b>4,404,633,329</b>	<b>100.00%</b>

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## LETTER FROM THE BOARD

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*Notes:*

1. The Group will comply with the obligations under the Code on Takeovers and Mergers should any obligations arise as a result of the conversion of the 2009 CBs, the Tranche 2 CB and the Tranche 2 Optional CB held by the Group, and the 2010 CBs, the Tranche 1 CB and the Tranche 1 Optional CB held by the Regal Group. The Group and the Regal Group will comply with the relevant requirements under the Listing Rules in respect of the possible further acquisitions of the CIHL Shares under the then general offer if and when the mandatory general offer obligation under Rule 26 of the Code on Takeovers and Mergers is triggered as a result of any conversion of the aforesaid convertible bonds by the Group and/or the Regal Group.
2. The CIHL Group has entered into a conditional agreement pursuant to which a subsidiary of CIHL may issue to a company independent from the Regal Group and the Group the Further CB due 2010 in an aggregate principal amount of up to HK\$25 million and convertible into 41,666,665 new CIHL Shares at an initial conversion price of HK\$0.60 (subject to adjustment). Such conditional agreement is pending, inter alia, approval from the shareholders of CIHL.
3. The CIHL Group has entered into option agreements with three independent parties pursuant to which options with an aggregate option price of HK\$270 million will be granted to such independent parties. Such options will confer rights upon the grantees to subscribe for or acquire a maximum of 300,000,000 CIHL Shares (subject to adjustment).
4. The above scenarios are for illustrative purposes only. On 6 December 2007, Valuegood issued an undertaking letter to CIHL that it shall not exercise the conversion right attached to the 2010 CBs if such exercise will cause insufficient public shareholdings in CIHL under the Listing Rules.

### **Reasons for the transaction**

The Group is principally engaged in property development and investment, construction and building related businesses and other investments. The Group intends to finance its subscription of the Tranche 2 CB and the Tranche 2 Optional CB (if applicable) by the internal available resources of the Group.

The Directors (including the independent non-executive Directors) are optimistic on the PRC property related business in which the CIHL Group is involved and consider that (i) the subscription of the Tranche 2 CB and the Tranche 2 Optional CB represents a good investment opportunity which offers appropriate exposure to the PRC property market through sharing in the prospects of the CIHL Group and (ii) the terms of the Tranche 2 Subscription Agreement are fair and reasonable and in the interests of the shareholders of the Company.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information contained in the Appendix to this circular.

By Order of the Board  
**Paliburg Holdings Limited**  
**Lo Yuk Sui**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

## 2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (“Model Code”) were as follows:

		Number of shares held				Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
	Name of Director	Class of shares held	Personal interests	Corporate interests	Family/ Other interests	
1.	<b>The Company</b>					
	Mr. Lo Yuk Sui	Ordinary				
		(i) issued	190,623,731	5,742,836,889 <i>(Note c(i))</i>	135,000	5,933,595,620
		(ii) unissued	219,516,414 <i>(Notes c(ii) &amp; (iii))</i>	642,841,227 <i>(Notes c(iv) &amp; (v))</i>	15,000 <i>(Note c(vi))</i>	862,372,641
					Total (i) & (ii):	6,795,968,261 (66.71%)
	Mr. Donald Fan Tung	Ordinary				
		(i) issued	4,718	—	—	4,718
		(ii) unissued	22,320,855 <i>(Note d)</i>	—	—	22,320,855
					Total (i) & (ii):	22,325,573 (0.22%)

	Name of Director	Class of shares held	Number of shares held			Family/ Other interests	Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests			
1. The Company	Mr. Jimmy Lo Chun To	Ordinary (i) issued	383,400	—	—	383,400	
		(ii) unissued	22,362,600 <i>(Note e)</i>	—	—	22,362,600	
					Total (i) & (ii):	22,746,000 (0.22%)	
	Miss Lo Po Man	Ordinary (unissued)	11,160,000 <i>(Note f)</i>	—	—	11,160,000 (0.11%)	
	Mr. Kenneth Ng Kwai Kai	Ordinary (i) issued	675,000	—	—	675,000	
		(ii) unissued	21,837,000 <i>(Note g)</i>	—	—	21,837,000	
					Total (i) & (ii):	22,512,000 (0.22%)	
	Mr. Ng Siu Chan	Ordinary (i) issued	—	—	724,275	724,275	
		(ii) unissued	—	—	80,475 <i>(Note h)</i>	80,475	
					Total (i) & (ii):	804,750 (0.01%)	
Mr. Kenneth Wong Po Man	Ordinary (i) issued	2,000	—	—	2,000		
	(ii) unissued	11,160,000 <i>(Note f)</i>	—	—	11,160,000		
				Total (i) & (ii):	11,162,000 (0.11%)		



Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Family/ Other interests	Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests			
2. Century City International Holdings Limited ("Century City")	Mr. Lo Yuk Sui	Ordinary (i) issued	294,516,903	11,664,822,186 <i>(Note a(i))</i>	2,510,000	11,961,849,089	
		(ii) unissued	408,903,380 <i>(Notes a(ii) &amp; (iii))</i>	2,332,964,436 <i>(Note a(iv))</i>	502,000 <i>(Note a(v))</i>	2,742,369,816	
					Total (i) & (ii):	14,704,218,905 (66.17%)	
	Mr. Jimmy Lo Chun To	Ordinary (i) issued	1,659,800	—	—	1,659,800	
		(ii) unissued	331,960 <i>(Note b(i))</i>	—	—	331,960	
					Total (i) & (ii):	1,991,760 (0.009%)	
	Miss Lo Po Man	Ordinary (i) issued	740,437	—	—	740,437	
		(ii) unissued	148,087 <i>(Note b(ii))</i>	—	—	148,087	
					Total (i) & (ii):	888,524 (0.004%)	
	Mr. Ng Siu Chan	Ordinary (i) issued	—	—	23,221,800	23,221,800	
		(ii) unissued	—	—	4,644,360 <i>(Note b(iii))</i>	4,644,360	
					Total (i) & (ii):	27,866,160 (0.13%)	
	Mr. Kenneth Wong Po Man	Ordinary (i) issued	2,000	—	—	2,000	
		(ii) unissued	400 <i>(Note b(iv))</i>	—	—	400	
					Total (i) & (ii):	2,400 (0.000%)	

**APPENDIX I**
**GENERAL INFORMATION**

Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Family/ Other interests	Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests			
3. Regal	Mr. Lo Yuk Sui	Ordinary (i) issued	242,000	4,760,972,636 <i>(Note i(i))</i>	2,607,000	4,763,821,636	
		(ii) unissued	200,000,000 <i>(Note i(iii))</i>	15,608,427 <i>(Note i(ii))</i>	—	215,608,427	
				Total (i) & (ii):	4,979,430,063 (47.07%)		
		Preference (issued)	—	3,440 <i>(Note i(ii))</i>	—	3,440 (20.54%)	
	Mr. Donald Fan Tung	Ordinary (unissued)	20,000,000 <i>(Note j)</i>	—	—	20,000,000 (0.19%)	
	Mr. Jimmy Lo Chun To	Ordinary (unissued)	15,000,000 <i>(Note k)</i>	—	—	15,000,000 (0.14%)	
	Miss Lo Po Man	Ordinary (i) issued	3,000,000	—	2,691,690 <i>(Note l(i))</i>	5,691,690	
		(ii) unissued	30,000,000 <i>(Note l(ii))</i>	—	—	30,000,000	
				Total (i) & (ii):	35,691,690 (0.34%)		
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 <i>(Note j)</i>	—	—	20,000,000 (0.19%)	
Mr. Kenneth Wong Po Man	Ordinary (issued)	2,000	—	—	2,000 (0.000%)		
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1,000 <i>(Note m)</i>	1,000 (100%)	

*Notes:*

- (a) (i) The interests in 914,822,186 issued ordinary shares of Century City were held through companies wholly owned by Mr. Lo Yuk Sui (“Mr. Lo”) and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 10,750,000,000 issued ordinary shares of Century City were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	53.82
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited (“Grand Modern”)	Century Digital Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

- (ii) The interests in 350,000,000 unissued ordinary shares of Century City were held through the interests in the options granted under the share option scheme of Century City named as “The Century City International Holdings Limited Share Option Scheme”, entitling the holder thereof to subscribe for a total of 350,000,000 new ordinary shares of Century City at an exercise price of HK\$0.12 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12 May 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of Century City under vested options
12 May 2007 to 11 May 2011	140,000,000
12 May 2008 to 11 May 2011	70,000,000
12 May 2009 to 11 May 2011	70,000,000
12 May 2010 to 11 May 2011	70,000,000

- (iii) The interests in 58,903,380 unissued ordinary shares of Century City related to the interests in the warrants of Century City (the “2011 Warrants”) carrying subscription rights in an aggregate amount of HK\$5,890,338.00, which are exercisable during the period from 18 April 2006 to 11 January 2011 to subscribe for a total of 58,903,380 new ordinary shares of Century City at an initial subscription price of HK\$0.10 per ordinary share (subject to adjustment).
- (iv) The interests in 2,332,964,436 unissued ordinary shares of Century City related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$233,296,443.60, which are exercisable to subscribe for a total of 2,332,964,436 new ordinary shares of Century City upon the terms as set out in note (a)(iii) above.

The interests in 182,964,436 unissued ordinary shares of Century City were held through companies wholly owned by Mr. Lo and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 2,150,000,000 unissued ordinary shares of Century City were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	53.82
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

  

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

- (v) The interests in 502,000 unissued ordinary shares of Century City related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$50,200.00, which are exercisable to subscribe for a total of 502,000 new ordinary shares of Century City upon the terms as set out in note (a)(iii) above.
- (b) (i) The interests in 331,960 unissued ordinary shares of Century City related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$33,196.00, which are exercisable to subscribe for a total of 331,960 new ordinary shares of Century City upon the terms as set out in note (a)(iii) above.
- (ii) The interests in 148,087 unissued ordinary shares of Century City related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$14,808.70, which are exercisable to subscribe for a total of 148,087 new ordinary shares of Century City upon the terms as set out in note (a)(iii) above.

- (iii) The interests in 4,644,360 unissued ordinary shares of Century City related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$464,436.00, which are exercisable to subscribe for a total of 4,644,360 new ordinary shares of Century City upon the terms as set out in note (a)(iii) above.
- (iv) The interests in 400 unissued ordinary shares of Century City related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$40.00, which are exercisable to subscribe for a total of 400 new ordinary shares of Century City upon the terms as set out in note (a)(iii) above.
- (c) (i) The interests in 5,323,656,289 issued ordinary shares of the Company were held through companies wholly owned by Century City, in which Mr. Lo held 53.82% shareholding interests.

The interests in 145,928,600 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 273,252,000 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (ii) The interests in 200,880,000 unissued ordinary shares of the Company were held through the interests in the options granted under share option scheme of Paliburg named as “The Paliburg Holdings Limited Share Option Scheme” (the “Paliburg Share Option Scheme”), entitling the holder thereof to subscribe for a total of 200,880,000 new ordinary shares of the Company at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12 May 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
12 May 2007 to 11 May 2011	80,352,000
12 May 2008 to 11 May 2011	40,176,000
12 May 2009 to 11 May 2011	40,176,000
12 May 2010 to 11 May 2011	40,176,000

- (iii) The interests in 18,636,414 unissued ordinary shares of the Company related to the interests in the warrants of the Company (the “2010 Warrants”) carrying subscription rights in an aggregate amount of HK\$3,913,646.94, which are exercisable during the period from 20 November 2007 to 8 November 2010 to subscribe for a total of 18,636,414 new ordinary shares of the Company at an initial subscription price of HK\$0.21 per ordinary share (subject to adjustment).

- (iv) The interests in 594,659,259 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$124,878,444.39, which are exercisable to subscribe for a total of 594,659,259 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above and were held through companies wholly owned by Century City, in which Mr. Lo held 53.82% shareholding interests.
- (v) The interests in 48,181,968 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$10,118,213.28, which are exercisable to subscribe for a total of 48,181,968 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

The interests in 16,788,255 unissued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 31,393,713 unissued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (vi) The interests in 15,000 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$3,150.00, which are exercisable to subscribe for a total of 15,000 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.
- (d) (i) The interests in 22,320,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 22,320,000 new ordinary shares of the Company at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25 July 2007 to 24 July 2011	8,928,000
25 July 2008 to 24 July 2011	4,464,000
25 July 2009 to 24 July 2011	4,464,000
25 July 2010 to 24 July 2011	4,464,000

- (ii) The interests in 855 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$179.55, which are exercisable to subscribe for a total of 855 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

- (e) (i) The interests in 22,320,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 22,320,000 new ordinary shares of the Company at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of the Company under vested options</b>
25 July 2007 to 24 July 2011	8,928,000
25 July 2008 to 24 July 2011	4,464,000
25 July 2009 to 24 July 2011	4,464,000
25 July 2010 to 24 July 2011	4,464,000

- (ii) The interests in 42,600 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$8,946.00, which are exercisable to subscribe for a total of 42,600 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

- (f) The interests in 11,160,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 11,160,000 new ordinary shares of the Company at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of the Company under vested options</b>
25 July 2007 to 24 July 2011	4,464,000
25 July 2008 to 24 July 2011	2,232,000
25 July 2009 to 24 July 2011	2,232,000
25 July 2010 to 24 July 2011	2,232,000

- (g) (i) The interests in 21,762,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 21,762,000 new ordinary shares of the Company at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of the Company under vested options</b>
25 July 2007 to 24 July 2011	8,370,000
25 July 2008 to 24 July 2011	4,464,000
25 July 2009 to 24 July 2011	4,464,000
25 July 2010 to 24 July 2011	4,464,000

- (ii) The interests in 75,000 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$15,750.00, which are exercisable to subscribe for a total of 75,000 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

- (h) The interests in 80,475 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$16,899.75, which are exercisable to subscribe for a total of 80,475 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.
- (i) (i) The interests in 4,214,000 issued ordinary shares of Regal were held through companies wholly owned by Century City, in which Mr. Lo held 53.82% shareholding interests, and the interests in the other 4,756,758,636 issued ordinary shares of Regal were held through companies wholly owned by the Company, in which Century City held 52.26% shareholding interests.
- (ii) The interests in 15,608,427 unissued ordinary shares of Regal were held through companies wholly owned by the Company, in which Century City held 52.26% shareholding interests. Mr. Lo held 53.82% shareholding interests in Century City.

The interests in 15,608,427 unissued ordinary shares of Regal related to the interests in 3,440 convertible cumulative preference shares of Regal carrying rights to convert into 15,608,427 new ordinary shares of Regal, based on the conversion price of HK\$1.7037 per ordinary share and on a reference amount of US\$1,000 per preference share at the fixed exchange rate of HK\$7.730255 to US\$1.00, during the period from 5 December 1993 to 5 December 2008.

- (iii) The interests in 200,000,000 unissued ordinary shares of Regal were held through the interests in the options granted under the share option scheme of Regal named as “The Regal Hotels International Holdings Limited Share Option Scheme” (the “Regal Share Option Scheme”), entitling the holder thereof to subscribe for a total of 200,000,000 new ordinary shares of Regal at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12 May 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of Regal under vested options</b>
12 May 2007 to 11 May 2011	80,000,000
12 May 2008 to 11 May 2011	40,000,000
12 May 2009 to 11 May 2011	40,000,000
12 May 2010 to 11 May 2011	40,000,000

- (j) The interests in 20,000,000 unissued ordinary shares of Regal were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of Regal at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of Regal under vested options</b>
25 July 2007 to 24 July 2011	8,000,000
25 July 2008 to 24 July 2011	4,000,000
25 July 2009 to 24 July 2011	4,000,000
25 July 2010 to 24 July 2011	4,000,000



- (k) The interests in 15,000,000 unissued ordinary shares of Regal were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 15,000,000 new ordinary shares of Regal at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of Regal under vested options</b>
25 July 2007 to 24 July 2011	6,000,000
25 July 2008 to 24 July 2011	3,000,000
25 July 2009 to 24 July 2011	3,000,000
25 July 2010 to 24 July 2011	3,000,000

- (l) (i) The interests in 2,691,690 issued ordinary shares of Regal were held by Miss Lo Po Man as the beneficiary of a trust.
- (ii) The interests in 30,000,000 unissued ordinary shares of Regal were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 30,000,000 new ordinary shares of Regal at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<b>Exercise period</b>	<b>Number of ordinary shares of Regal under vested options</b>
25 July 2007 to 24 July 2011	12,000,000
25 July 2008 to 24 July 2011	6,000,000
25 July 2009 to 24 July 2011	6,000,000
25 July 2010 to 24 July 2011	6,000,000

- (m) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 53.82% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### 3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of issued ordinary shares as at the Latest Practicable Date
Century City ( <i>Note i</i> )	5,323,656,289	594,659,259	5,918,315,548	58.10%
Century City BVI Holdings Limited ("CCBVI") ( <i>Note ii</i> )	5,323,656,289	594,659,259	5,918,315,548	58.10%
Almighty International Limited ("Almighty") ( <i>Note ii</i> )	2,606,109,609	298,395,669	2,904,505,278	28.51%
Cleerview Investments Limited ("Cleerview") ( <i>Note ii</i> )	1,621,188,384	186,926,325	1,808,114,709	17.75%

*Notes:*

- (i) Mr. Lo directly and indirectly held 53.82% shareholding interests in Century City and the interests in these ordinary shares held by Century City through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo in the ordinary shares of the Company as disclosed under the section headed "Disclosure of Directors' Interests" above.
- (ii) These companies are wholly owned by Century City and their interests in the ordinary shares were included in the interests held by Century City.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

Details of directorships of the Directors in each of those companies which has an interest in the ordinary shares and underlying ordinary shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of Century City.
- (2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

#### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group which would not expire or would not be determinable by the Company within one year without payment of compensation (other than statutory compensation).

#### **5. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration of material importance and there was no litigation or claim known to the Directors to be pending or threatened against the Company or any of its subsidiaries which in the opinion of the Directors would be or is likely to be of material importance.

#### **6. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

#### **7. GENERAL**

- (a) The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong. The registered office of the Company is located at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. Lam Sau Fun, Eliza, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.
- (d) The qualified accountant of the Company is Mr. Allen Wan Tze Wai, an associate of the Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this circular shall prevail over the Chinese text.