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## **DISCLOSEABLE TRANSACTION**

### **The Agreement**

On 30 April 2008, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement pursuant to which the Purchaser has purchased from the Vendor the Subject 2010 CB for a consideration of HK\$76,000,000. Based on the prevailing Conversion Price of HK\$0.205 per Conversion Share, the Subject 2010 CB is convertible into 190,000,000 Conversion Shares.

### **Possible Further Acquisitions**

The Group may carry out the Possible Further Acquisitions (i.e. possible on-market acquisitions of CIHL Shares by the Group for the next 12-month period from 7 May 2008 to 6 May 2009) so long as the aggregate consideration will not exceed the Cap of HK\$100,000,000. Purchase of any CIHL Shares under the Possible Further Acquisitions will be made on-market at the then prevailing market price.

### **General**

The Transaction, the Possible Further Acquisitions, together with the other acquisitions of interests in CIHL (the relevant agreements of which were entered into in the 12 months prior to the date of the Agreement), namely the Group's acquisition of 66,800,000 CIHL Shares, the subscription for certain 2013 CBs in a principal amount of HK\$100,000,000, and the possible subscription for certain Optional 2013 CBs in a principal amount of HK\$100,000,000 constitute a discloseable transaction for the Company under the Listing Rules. The Company will issue a circular to its Shareholders setting out the details of the above transactions for information purposes only.

## **THE AGREEMENT**

Date : 30 April 2008

Parties : The Purchaser (a wholly-owned subsidiary of the Company), as the purchaser

The Vendor, as the vendor

Pursuant to the Agreement, the Purchaser has purchased from the Vendor the Subject 2010 CB for a cash consideration of HK\$76,000,000.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiry, the Vendor is an investment holding company and the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

### **Consideration**

The agreed consideration for the Transaction of HK\$76,000,000 is based on a price of HK\$0.40 per Conversion Share which represents:

- a discount of approximately 17.53% to the closing price per CIHL Share of HK\$0.485 as at the date of the Agreement; and
- a discount of approximately 17.18% to the average closing price per CIHL Share for the five trading days ended on the date of the Agreement of HK\$0.483.

The Group financed the payment of the consideration for the Transaction by its internal financial resources.

The terms of the Agreement were arrived at after arm's length negotiation between the Purchaser and the Vendor with reference to the recent market prices and trading performance of the CIHL Shares. The Company considers that the terms of the Agreement are fair and reasonable and the Transaction is in the interests of the Company and its Shareholders as a whole.

### **PRINCIPAL TERMS OF THE SUBJECT 2010 CB**

The Subject 2010 CB constitutes part of the 2010 CBs issued by the CIHL Group in 2007. Set out below are the principal terms of the Subject 2010 CB:

Issuer : Fancy Gold Limited, a wholly-owned subsidiary of CIHL

Principal amount : HK\$38,950,000

Prevailing Conversion Price : HK\$0.205 per Conversion Share.

The Conversion Price is subject to adjustment for share consolidations, share subdivision, re-classification of share 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).

Conversion period : The conversion rights attached to the Subject 2010 CB may be exercised during the period from 16 July 2007 to 2 May 2010 (both dates inclusive).

Interest rate : The Subject 2010 CB bears no coupon rate.

Maturity Date : 16 May 2010. On the Maturity Date, all of the remaining outstanding Subject 2010 CB will be redeemed by the issuer at 115.97% of the outstanding principal amount of the Subject 2010 CB, representing a yield to maturity of 5.0% per annum.

Voting : A holder of the Subject 2010 CB is not entitled to receive notice of, attend or vote at any general meeting of CIHL by reason only of it being a holder of the Subject 2010 CB.

Listing : No application has been made for the listing of the Subject 2010 CB on the Stock Exchange or any other stock exchange. The Stock Exchange has granted an approval for the listing of, and permission to deal in, the Conversion Shares which may be issued as a result of the exercise of the conversion rights attached to the Subject 2010 CB.

Ranking : The Conversion Shares when issued will rank pari passu in all respects with all other CIHL Shares outstanding at the date of conversion of the Subject 2010 CB.

Based on the prevailing Conversion Price of HK\$0.205 per Conversion Share, the Subject 2010 CB is convertible into 190,000,000 Conversion Shares.

Early redemption : The issuer of the Subject 2010 CB 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 Subject 2010 CB at an amount equals to the outstanding principal amount of the Subject 2010 CB together with a redemption premium equal to 5.0% per annum (to be calculated on a semi-annual compound basis) if the total outstanding principal amount of the 2010 CBs is less than 10% of the total principal amount of the 2010 CBs.

Guarantor : CIHL

### CIHL

According to the 2007 interim report of CIHL, for the six months ended 30 September 2007, the principal activities of the CIHL Group included property development and investment, securities and other investments, and the provision of information technology services.

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)

CIHL reported an unaudited consolidated net asset value (including minority interests) of HK\$436,398,000 as at 30 September 2007.

The Paliburg Group is presently interested in approximately 46% of the issued ordinary share capital of the Company. In January 2007, the Paliburg Group entered into agreements with the CIHL Group pursuant to which, the Paliburg 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, the CIHL Group issued to the Paliburg Group the 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 granted to the CIHL Group and lock-up undertakings during the period of the first year after issue. The relevant lock-up period has subsequently been extended to 2 September 2008. Up to the date of this announcement, no 2009 CBs have been converted.

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

On 10 April 2007, the Group entered into an agreement with the CIHL Group pursuant to which certain 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), were issued to the Purchaser. The Group has not converted any of the 2010 CBs issued to it up to the date of this announcement.

The Group owns 66,800,000 CIHL Shares, representing approximately 3.52% of the existing issued share capital of CIHL, through on-market acquisitions of CIHL Shares with an aggregate consideration of HK\$42,911,600 during the period from July to October 2007.

On 6 December 2007, the Group and the Paliburg Group entered into respective agreements with the CIHL Group, pursuant to which (i) each of the Group and the Paliburg Group subscribed for their respective parts of 2013 CBs each with a principal amount of HK\$100,000,000, which may be converted into 166,666,666 new CIHL Shares at the prevailing conversion price of HK\$0.60 per CIHL Share (subject to adjustment), and (ii) each of the Group and the Paliburg Group obtained an option expiring on 16 November 2012 to subscribe for part of the Optional 2013 CBs each with a principal amount of up to HK\$100,000,000 at an initial conversion price of HK\$0.60 per CIHL Share (subject to adjustment). Neither the Group nor the Paliburg Group has converted any of the 2013 CBs issued to them nor exercised the options granted to them to subscribe for the Optional 2013 CBs up to the date of this announcement. Further information on the subscription by the Group and the Paliburg Group of the 2013 CBs was contained in the respective discloseable transaction circulars of the Company and Paliburg both dated 28 December 2007 despatched to their respective shareholders.

In February 2008, the Group sold to the CIHL Group a 50% interest in a company which, through its indirect wholly-owned subsidiary, is engaged in a property development project in Chengdu, Sichuan Province, the PRC.

To the best knowledge and information of the Company and based on the assumptions stated in the shareholding structures of CIHL below, the Group's shareholding interests in CIHL would increase from approximately 3.52% to approximately 24.99%.

Set out below are the shareholding structures of CIHL (based on the Company's understanding and for illustrative purposes only):

	Existing		Upon full conversion of the convertible bonds issued by the CIHL Group (including, but not limited to, those held by the Group and the Paliburg Group and assuming that the maximum amount of Optional 2013 CBs are issued to the Group and the Paliburg Group) at the prevailing conversion prices and the full exercise of the Options where new CIHL Shares are issued (assuming no other changes to the shareholding structure of CIHL)	
The Group (Note)	66,800,000	3.52%	1,090,133,332	24.99%
The Paliburg Group	180,000,000	9.49%	1,313,333,332	30.10%
Giant Sino Group Limited	872,415,218	46.01%	872,415,218	20.00%
Vendor	175,000,000	9.23%	185,000,000	4.24%
Holders of the Options	-	-	300,000,000	6.88%
Other public shareholders	<u>602,084,782</u>	<u>31.75%</u>	<u>602,084,782</u>	<u>13.79%</u>
Total	1,896,300,000	100.00%	4,362,966,664	100.00%

**Note:**

Upon full conversion of the convertible bonds issued by the CIHL Group (including, but not limited to, those held by the Group and the Paliburg Group and assuming that the maximum amount of Optional 2013 CBs are issued to the Group and the Paliburg Group) at the prevailing conversion prices and the full exercise of the Options where new CIHL Shares are issued and after the Possible Further Acquisitions (based on the Cap amount and the closing price of CIHL Shares as at 6 May 2008 of HK\$0.495 per CIHL Share) (assuming no other changes to the shareholding structure of CIHL), the Group shall hold 1,292,153,534 CIHL Shares, representing approximately 29.62% of the issued share capital of CIHL.

Save as disclosed above, the Transaction and the Possible Further Acquisitions, the CIHL Group is independent of the Group and its connected persons.

## **REASONS FOR THE TRANSACTION**

The Group is principally engaged in hotel operation and management, investment in Regal REIT, asset management of Regal REIT, property development and investment, and other investments. The Directors are optimistic on the PRC property related business in which the CIHL Group is involved and consider that (i) the Transaction will provide the Group with an opportunity to further share in the prospects of the PRC property market as well as in the growth potentials of the CIHL Group and (ii) the terms of the Agreement are fair and reasonable and in the interests of the Shareholders.

## **POSSIBLE FURTHER ACQUISITIONS OF CIHL SHARES**

For the same reasons as described in the paragraph headed "Reasons for the Transaction" above, the Group may carry out the Possible Further Acquisitions (i.e. possible on-market acquisitions of CIHL Shares by the Group for the next 12-month period from 7 May 2008 to 6 May 2009) so long as the aggregate consideration will not exceed the Cap of HK\$100,000,000 and provided that the sellers are not connected persons of the Company. The Company will comply with the Takeovers Code, and, if necessary, the Listing Rules in the case that a mandatory general offer obligation under the Takeovers Code is triggered as a result of the Possible Further Acquisitions. Purchase of any CIHL Shares under the Possible

Further Acquisitions will be made on-market at the then prevailing market price. The Directors consider that the terms of the Possible Further Acquisitions are fair and reasonable and it is in the interests of the Company and its Shareholders as a whole for the Group to have flexibility to carry out the Possible Further Acquisitions without having the need of issuing a separate announcement and circular for discloseable transactions under the Listing Rules for each future acquisition of CIHL Shares during the next 12-month period (however small) by the Group. However, the Company will not necessarily conduct any Possible Further Acquisitions.

For illustrative purposes only, based on the Cap and the closing price of CIHL Shares on 6 May 2008 (the date of this announcement), the Group may acquire 202,020,202 CIHL Shares representing approximately 10.65% of the existing issued ordinary share capital of CIHL, during the next 12-month period from 7 May 2008 to 6 May 2009 under the Possible Further Acquisitions.

## **GENERAL**

The Transaction, the Possible Further Acquisitions, together with the other acquisitions of interests in CIHL (the relevant agreements of which were entered into in the 12 months prior to the date of the Agreement), namely the Group's acquisition of 66,800,000 CIHL Shares, the subscription for certain 2013 CBs in a principal amount of HK\$100,000,000, and the possible subscription for certain Optional 2013 CBs constitute a discloseable transaction for the Company under the Listing Rules. The Company will issue a circular to its Shareholders setting out the details of the above transactions for information purposes only.

## **DEFINITIONS:**

“Agreement”	the agreement entered into between the Purchaser and the Vendor on 30 April 2008 in respect of the sale and purchase of the Subject 2010 CB
“Cap”	maximum aggregate consideration for the Possible Further Acquisitions of HK\$100,000,000
“CIHL”	Cosmopolitan International Holdings Limited, a company incorporated under the laws of Cayman Islands, the shares of which are listed on the Stock Exchange
“CIHL Group”	CIHL and/or its subsidiaries (as the case may be)
“CIHL Shares”	ordinary share(s) of HK\$0.001 each in the share capital of CIHL

“Company”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange
“Conversion Price”	the conversion price of the Subject 2010 CB, being HK\$0.205 per Conversion Share as at the date of this announcement, subject to adjustment
“Conversion Share(s)”	the new CIHL Share(s) falling to be issued upon the exercise of the conversion rights attached to the Subject 2010 CB
“Directors”	the directors of the Company
“Group”	the Company and/or its subsidiaries (as the case may be)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the maturity date of the Subject 2010 CB, being 16 May 2010
“Optional 2013 CBs”	the zero coupon guaranteed convertible bonds due 2013 up to an aggregate principal amount of HK\$200,000,000 to be issued to the Group and/or the Paliburg Group upon exercise of options granted by the CIHL Group to the Group and the Paliburg Group
“Options”	the rights granted to the holders of the options to require CIHL to deliver or procure the delivery of a maximum of up to 300,000,000 CIHL Shares upon exercise of the options, either by way of issue and allotment of new CIHL Shares or by way of transfer of the CIHL Shares in issue
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda, the ordinary shares and warrants of which are listed on the Stock Exchange
“Paliburg Group”	Paliburg and/or its subsidiaries (as the case maybe)
“Possible Further Acquisitions”	possible acquisitions of CIHL Shares by the Group from 7 May 2008 to 6 May 2009 subject to the Cap and certain other conditions
“PRC”	the People’s Republic of China



“Purchaser”	Valuegood International Limited, a wholly-owned subsidiary of the Company
“Regal REIT”	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject 2010 CB”	a tranche of the 2010 CBs with a principal amount of HK\$38,950,000 which the Purchaser has purchased from the Vendor under the Agreement
“Takeovers Code”	the Code on Takeovers and Mergers
“Transaction”	the transaction contemplated under the Agreement
“Vendor”	United Gold Investments Limited
“2009 CBs”	zero coupon guaranteed convertible bonds due 2009 in an aggregate principal amount of HK\$56,000,000 issued by the CIHL Group to the Paliburg Group
“2010 CBs”	a series of zero coupon guaranteed convertible bonds due 2010 in an aggregate principal amount of HK\$205,000,000 issued by Fancy Gold Limited, a wholly-owned subsidiary of CIHL, to the subscribers of that series of convertible bonds
“2013 CBs”	the zero coupon guaranteed convertible bonds due 2013 in an aggregate principal amount of HK\$200,000,000 issued by the CIHL Group to the Group and the Paliburg Group

As at the date of this announcement, the board of Directors comprises the following members:

***Executive Directors***

Mr. LO Yuk Sui  
*(Chairman and Chief Executive Officer)*  
Ms. Belinda YEUNG Bik Yiu  
*(Chief Operating Officer)*  
Mr. Donald FAN Tung  
Mr. Jimmy LO Chun To  
Miss LO Po Man  
Mr. Kenneth NG Kwai Kai

***Non-Executive Director***

Dr. Francis CHOI Chee Ming, JP  
*(Vice Chairman)*

***Independent Non-Executive Directors***

Ms. Alice KAN Lai Kuen  
Mr. NG Siu Chan  
Mr. WONG Chi Keung

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

Hong Kong, 6 May 2008