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CONNECTED TRANSACTION

EXTENSION OF THE TERM OF THE SUBJECT 2011 CB HELD BY THE GROUP

On 27 April 2011 after trading hours, Valuegood (a wholly-owned subsidiary of the Company), the Issuer and CIHL entered into the Extension Agreement to further extend the maturity date of the Subject 2011 CB to 14 February 2013 subject to the terms and conditions of the Extension Agreement.

Under Rule 14A.66(2) of the Listing Rules, the Extension constitutes a connected transaction for the Company subject to the reporting and announcement requirements of the Listing Rules but exempt from independent shareholders' approval.

BACKGROUND

Valuegood subscribed for the Subject CB with a principal amount of HK\$102.5 million in 2007 and further acquired the Subject CB with a principal amount of HK\$38.95 million from a subscriber of the Subject CBs in 2008. The cash consideration for the aforesaid subscription and acquisition of the Subject CBs was determined with reference to the then market prices of CIHL Shares. The Subject 2011 CB held by Valuegood represents the entire amount of the presently outstanding Subject CB with an aggregate principal amount of HK\$141.45 million and was originally due in 2010. The maturity date of the Subject 2011 CB was extended to 16 May 2011 by the approval of the independent Shareholders (who did not have a material interest in the extension other than as Shareholders) on 9 June 2010. As at the date of this announcement, the Subject 2011 CB is still held by Valuegood.

EXTENSION AGREEMENT

On 27 April 2011 after trading hours, Valuegood, the Issuer and CIHL entered into the Extension Agreement to further extend the maturity date of the Subject 2011 CB to 14 February 2013 (same as the maturity date of the 2013 CB held by the Group) and the conversion period of the Subject 2011 CB will accordingly be further extended to 31 January 2013.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for the Group's and the Paliburg Group's interests set out in the paragraph headed "Shareholding structure of CIHL" and the information set out in "Other relationship between the Group, the Paliburg Group and the CIHL Group", the Issuer and CIHL are parties independent of the Company and its connected persons.

The Extension is conditional on (i) CIHL obtaining approval and/or ratification of the Extension Agreement by its independent shareholders; and (ii) the Stock Exchange's approval in respect of the Extension and, if necessary, the Stock Exchange granting the listing of and permission to deal in the Subject Conversion Shares falling to be issued pursuant to the exercise of the conversion rights attached to the Subject 2011 CB (as varied by the Extension). If the conditions are not fulfilled on or before 11 June 2011 (being 45 days after the Extension Agreement) or such later date as may be agreed by the parties, the Extension Agreement will lapse and terminate.

If the Extension has not become unconditional by the long-stop date of the Extension Agreement, all the Subject 2011 CB would have to be redeemed in accordance with its terms by the Issuer at 121.84% of the outstanding principal amount of the Subject 2011 CB, requiring the CIHL Group to pay Valuegood, as holder of the Subject 2011 CB, redemption monies of approximately HK\$172.34 million. Valuegood has agreed that the Issuer may suspend the payment of such redemption monies pending the satisfaction of the conditions precedent of the Extension Agreement or until the lapse of the Extension Agreement in accordance with its terms (as the case may be).

MAJOR TERMS OF THE SUBJECT 2011 CB

Apart from the extension of the maturity date of the Subject 2011 CB and the redemption premium calculated based on a fixed yield to maturity of the Subject 2011 CB, all terms of the Subject 2011 CB remain unchanged from the original terms of the Subject CBs issued by the Issuer. Set out below are the major terms of the Subject 2011 CB.

Principal amount: HK\$141.45 million

Conversion: The holder of the Subject 2011 CB can convert the outstanding principal amount of the Subject 2011 CB into Subject Conversion Shares at any time until a date falling fourteen (14) days prior to the further extended maturity date of the Subject 2011 CB.

Conversion price: HK\$0.04 per Subject Conversion Share, subject to adjustment for share consolidation, share subdivisions, 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 in case new CIHL Shares (or securities

convertible into new CIHL Shares) are issued for cash or non-cash consideration at a price 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).

Interest rate:	The Subject 2011 CB bears no coupon rate.
Further extended maturity date:	14 February 2013. On the further extended maturity date, all of the remaining outstanding Subject 2011 CB will be redeemed by the Issuer at 132.84% of the outstanding principal amount of the Subject 2011 CB, representing a yield to maturity of 5% per annum (compounded semi-annually).
Voting:	A holder of any Subject 2011 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 Subject 2011 CB.
Listing:	The Subject 2011 CB is not listed on the Stock Exchange. No application will be made for the listing of the Subject 2011 CB on the Stock Exchange or any other stock exchange.
Ranking:	The Subject Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Subject 2011 CB will rank pari passu in all respects with all other CIHL Shares outstanding at the date of conversion of the Subject 2011 CB.
Early redemption:	The Issuer has the right, at any time prior to the further extended maturity date, by not less than 15 nor more than 30 business days' notice to the holders of the Subject 2011 CB to redeem the Subject 2011 CB at an amount equal to the outstanding principal amounts of the Subject 2011 CB together with a redemption premium equal to 5.0% per annum (to be calculated on a semi-annual compound basis) if total outstanding principal amount of the Subject 2011 CB is not more than 10% of the total principal amount of the Subject CBs of HK\$205 million.
Guarantor:	CIHL

SUBJECT CONVERSION SHARES

The following table shows the number of the Subject Conversion Shares which will fall to be issued on conversion of the Subject 2011 CB at the prevailing conversion price of HK\$0.04 per Subject Conversion Share.

Subject Conversion Shares	% of existing issued share capital of CIHL	% of issued share capital of CIHL as enlarged by conversion in full of the Subject 2011 CB
3,536,250,000	30.0%	23.1%

INFORMATION ON THE CIHL GROUP

Overview of CIHL

According to the 2010 interim report of CIHL, the principal activities of the CIHL Group are property investment, property development, securities investments and other investments.

The following table sets out the audited consolidated loss before and after taxation of CIHL for the two years ended 31 March 2010.

	For the year ended 31 March	
	2009	2010
	HK\$'000	HK\$'000
Loss before taxation	272,418	324,583
from continuing operations		
Loss after taxation	265,790	330,387
from continuing and discontinued operations		

CIHL reported an unaudited consolidated net deficit of assets attributable to CIHL Shareholders of HK\$294.2 million as at 30 September 2010.

Shareholding structure of CIHL

As informed by CIHL, set out below are the respective shareholding structures of CIHL as at the date of this announcement and upon conversion in full of the Subject 2011 CB and upon conversion in full of all presently outstanding convertible bonds of the CIHL Group, for illustrative purposes only.

CIHL Shareholders	As at the date of this announcement		Upon conversion in full of the Subject 2011 CB		Upon conversion in full of all presently outstanding convertible bonds of the CIHL Group (note)	
	(CIHL Shares in million)	%	(CIHL Shares in million)	%	(CIHL Shares in million)	%
Giant Sino Group Limited	4,403.6	37.4	4,403.6	28.7	4,403.6	23.6
The Paliburg Group	2,016.7	17.1	2,016.7	13.2	3,683.3	19.7
The Group	334.0	2.8	3,870.3	25.3	5,537.0	29.7
Public CIHL Shareholders	<u>5,030.8</u>	<u>42.7</u>	<u>5,030.8</u>	<u>32.8</u>	<u>5,030.8</u>	<u>27.0</u>
	<u>11,785.1</u>	<u>100.0</u>	<u>15,321.4</u>	<u>100.0</u>	<u>18,654.7</u>	<u>100.0</u>

Note: Apart from the Subject 2011 CB, the 2013 CBs with an aggregate principal amount of HK\$200 million convertible into a total of approximately 3,333.3 million new CIHL Shares based on the prevailing conversion price of HK\$0.06 per CIHL Share are outstanding as at the date of this announcement. Such 2013 CBs are held by the Paliburg Group and the Group where each of them holds the 2013 CB with a principal amount of HK\$100 million.

In addition, in conjunction with the issue of the aforesaid 2013 CBs, the CIHL Group has also granted to each of the Group and the Paliburg Group an option to subscribe for further 2013 CBs with a principal amount of up to HK\$100 million each which is exercisable on or before 16 November 2012 (being 90 days prior to the maturity date of the 2013 CB). The options have not been exercised up to the date of this announcement. Further information on the 2013 CBs and the option to subscribe for further 2013 CBs was set out in the Company's announcement dated 6 December 2007 and circular dated 28 December 2007.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in hotel operation and management, hotel ownership through its investment in Regal REIT, asset management of Regal REIT, property development and investment, and other investments.

The Subject 2011 CB would mature on 16 May 2011 unless further extended. The conversion of the Subject 2011 CB may result in regulatory compliance issues (including the possible triggering of a mandatory obligation for the Group and its concert parties to make an offer for all the CIHL Shares that are not held by them). The Group presently does not intend to convert the Subject 2011 CB to the extent that any such mandatory offer obligation would be triggered.

With the Extension, the maturity date of the Subject 2011 CB will be further extended to 14 February 2013 and the conversion period will accordingly be further extended to 31 January 2013. The Extension will allow further time for the Group to determine its overall planning with regard to its strategic investments in the CIHL Group.

The prevailing conversion price of the Subject 2010 CB of HK\$0.04 per CIHL Share represents (i) a discount of approximately 65.5% to the closing price of CIHL Share on 27 April 2011; (ii) a discount of approximately 65.0% to the average closing price of CIHL Share for the five trading days up to 27 April 2011; and (iii) a discount of approximately 65.4% to the average closing price of CIHL Share for the 10 trading days up to 27 April 2011.

Mr Ng Kwai Kai, Kenneth, an executive Director, is also a non-executive director of CIHL and has abstained from voting on the relevant resolution relating to the Extension. Save for Mr Ng Kwai Kai, Kenneth, the other Directors (including the independent non-executive Directors) consider that the terms of the Extension of the Subject 2011 CB are fair and reasonable and that the Extension is in the interests of the Company and its Shareholders as a whole.

OTHER RELATIONSHIP BETWEEN THE GROUP, THE PALIBURG GROUP AND THE CIHL GROUP

Apart from the Group's and the Paliburg Group's interests in CIHL Shares and convertible bonds issued by the CIHL Group stated in the above paragraph headed "Shareholding structure of CIHL", the Company, through its wholly-owned subsidiary, is the joint venture partner of the CIHL Group with respect to a property development project in Chengdu, Sichuan Province, the People's Republic of China.

Mr Ng Kwai Kai, Kenneth, an executive Director and an executive director of Paliburg and Century City (the listed holding company of Paliburg), is a non-executive director of CIHL. Mr Leung So Po, Kelvin, an executive director of Century City, is a non-executive director of CIHL. Mr Wong Po Man, Kenneth, an executive director of Paliburg, is a non-executive director of CIHL.

GENERAL

Valuegood is a wholly-owned subsidiary of the Company. As at the date of this announcement, the Group holds approximately 2.8% of the issued share capital of CIHL. The Paliburg Group holds approximately 49.4% of the issued share capital of the Company and the Paliburg Group holds approximately 17.1% of the issued share capital of CIHL. Paliburg (the controlling shareholder of the Company) is a substantial shareholder of CIHL. Under Rule 14A.66(2) of the Listing Rules, the Extension constitutes a connected transaction for the Company subject to the reporting and announcement requirements under the Listing Rules but exempt from independent shareholders' approval.

The Company has been informed by CIHL that it will seek the Stock Exchange's approval and the approval of its independent shareholders in respect of the Extension.

DEFINITIONS

“2013 CB(s)”	zero coupon guaranteed convertible bond(s) due 2013 with an aggregate principal amount of HK\$200 million presently in issue and an additional principal amount of up to HK\$200 million that the CIHL Group may further issue; such bonds are convertible into new CIHL Shares at the prevailing conversion price of HK\$0.06 per new CIHL Share
“Board”	the board of Directors
“Century City”	Century City International Holdings Limited, the issued ordinary shares of which are listed on the main board of the Stock Exchange
“CIHL”	Cosmopolitan International Holdings Limited, the issued ordinary shares of which are listed on the main board of the Stock Exchange
“CIHL Group”	CIHL and its subsidiaries
“CIHL Share(s)”	ordinary shares of HK\$0.0002 each in the capital of CIHL
“CIHL Shareholders”	holders of CIHL Shares
“Company”	Regal Hotels International Holdings Limited, the issued ordinary shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Extension”	the proposed further extension of the maturity date of the Subject 2011 CB to 14 February 2013
“Extension Agreement”	the deed of variation dated 27 April 2011 entered into between Valuegood, the Issuer and CIHL in respect of the Extension
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issuer”	Fancy Gold Limited, a wholly-owned subsidiary of CIHL and the issuer of the Subject CBs

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Paliburg”	Paliburg Holdings Limited, the issued ordinary shares of which are listed on the main board of the Stock Exchange
“Paliburg Group”	Paliburg and its subsidiaries
“Regal REIT”	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance, the issued units of which are listed on the Stock Exchange
“Shareholder(s)”	holder(s) of ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject 2011 CB”	the Subject CB with a principal amount of HK\$141.45 million held by Valuegood, the maturity date of which was originally extended to 16 May 2011 and is proposed to be further extended to 14 February 2013 pursuant to the Extension
“Subject CB(s)”	zero coupon guaranteed convertible bond(s) with an aggregate principal amount of HK\$205 million issued by the Issuer in 2007
“Subject Conversion Share(s)”	CIHL Share(s) which would fall to be issued by CIHL upon the exercise of the conversion rights attached to the Subject 2011 CB pursuant to the terms and conditions thereof
“Valuegood”	Valuegood International Limited, a wholly-owned subsidiary of the Company

As at the date of this announcement, the Board 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

Mr. Allen WAN Tze Wai

Non-Executive Director

Dr. Francis CHOI Chee Ming, GBS, 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, 27 April 2011