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**FORMATION OF A JOINT VENTURE
FOR A PROPERTY DEVELOPMENT PROJECT
— DISCLOSEABLE TRANSACTION**

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

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DEFINITIONS

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 “Regal”	Regal Hotels International 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
“Fullberg”	Fullberg Group Limited, an indirect wholly-owned subsidiary of the Company
“Group”	Regal and its subsidiaries
“Joint Venture”	the Sino-Foreign Equity Joint Venture company to be established by Long Success and ZCIDL in the PRC pursuant to the JV Contract

DEFINITIONS

“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
“JV Contract”	the joint venture agreement and the proposed articles entered into by Long Success and ZCIDL in respect of the formation of the Joint Venture
“Latest Practicable Date”	24 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in 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
“Long Success”	Long Success International Limited, an indirect wholly-owned subsidiary of the Company
“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
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange
“Paliburg Group”	Paliburg and its subsidiaries
“PRC”	the People’s Republic of China
“RIHL”	Regal International (BVI) Holdings Limited, a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Land”	a land site with construction site area of approximately 39,137.93 sq. m., the address of which is at Group 6, Group 7 and Group 8, Huayin Village, South Gaoxin District, Chengdu City, Sichuan Province, the PRC (中國四川省成都市高新區南區花蔭村六組，七組和八組)
“Subscribers”	the subscribers of the CBs and the Optional CBs

DEFINITIONS

“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 the Company, 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
“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 the Company and the holder of certain 2010 CBs
“Well Mount”	Well Mount Investments Limited, a wholly-owned subsidiary of the Company, being the grantee of an option to subscribe for the Tranche 1 Optional CB
“ZCIDL”	成都市正成投資開發有限公司 (Chengdu Zheng Cheng Investment Development Limited*), a company established in the PRC

DEFINITIONS

“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

* *For identification only*

LETTER FROM THE BOARD



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

Registered Office:

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28 December 2007

To the Shareholders (for information purposes only)

Dear Sir or Madam,

**FORMATION OF A JOINT VENTURE
FOR A PROPERTY DEVELOPMENT PROJECT
— DISCLOSEABLE TRANSACTION**

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

INTRODUCTION

As set out in the Announcement, on 24 November 2007, Long Success, an indirect wholly-owned subsidiary of the Company, entered into the JV Contract with ZCIDL for the establishment of the Joint Venture to engage in a property development project in the PRC.

The formation of the Joint Venture constitutes a discloseable transaction for the Company under the Listing Rules.

LETTER FROM THE BOARD

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 of up to HK\$100 million. Time Crest and Well Mount are indirect wholly-owned subsidiaries of the Company.

In addition, 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 indirect wholly-owned subsidiaries of Paliburg.

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 1 CB and the possible subscription of the maximum amount of the Tranche 1 Optional CB constitute a discloseable transaction for the Company under the Listing Rules.

The purpose of this circular is to set out details of the formation of the Joint Venture, the subscription of the Tranche 1 CB and the possible subscription of the maximum amount of the Tranche 1 Optional CB for the shareholders of the Company as required under the Listing Rules for information purposes only.

FORMATION OF JOINT VENTURE

On 24 November 2007, Long Success entered into the JV Contract with ZCIDL for the establishment of the Joint Venture. Long Success is an investment holding company which has not carried out any material operations other than the entering into of the JV Contract.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, ZCIDL is principally engaged in property development in the PRC and ZCIDL and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Business of the Joint Venture

The Joint Venture is proposed to be established primarily for the purpose of undertaking the development on the Subject Land. It is proposed that the business scope of the Joint Venture will cover, among other things, project investments, property development and operation, construction, operation and management of hotels, subject to final approvals and registrations. It is presently intended that the Joint Venture shall develop commercial and office buildings, a hotel and serviced apartments on the Subject Land.

LETTER FROM THE BOARD

ZCIDL was the successful bidder of the state-owned land use right of the Subject Land the address of which is at Group 6, Group 7 and Group 8, Huayin Village, South Gaoxin District, Chengdu City, Sichuan Province, the PRC (中國四川省成都市高新區南區花蔭村六組·七組和八組) at a public land auction held on 28 September 2007 at a land transfer consideration of RMB363,982,780. The Subject Land was prescribed for commercial and financial use (商業金融業用地) with a total construction site area of approximately 39,137.93 sq.m. ZCIDL has paid a security deposit of RMB20 million for the acquisition of the Subject Land under its bid confirmation with the relevant PRC authority. No formal agreement has yet been entered into between ZCIDL and the relevant PRC authority for the acquisition of the Subject Land. The parties to the JV Contract shall endeavour to procure that the land transfer agreement in respect of the Subject Land will be entered into by the Joint Venture with the relevant PRC authority on the same terms and conditions as set out in the bid confirmation. Pursuant to the JV Contract, if the Joint Venture is unable to acquire the Subject Land, the Joint Venture shall be dissolved in accordance with the relevant regulations in the PRC.

Registered capital (equity interests)

The total registered capital of the Joint Venture and the portions of the registered capital to be contributed by the Joint Venture partners are set out below:

	Amount of registered capital to be contributed (RMB' million)	Equity interest in the Joint Venture
Long Success (payable in Hong Kong dollars)	260	65%
ZCIDL	<u>140</u>	<u>35%</u>
Total registered capital	<u><u>400</u></u>	<u><u>100%</u></u>

Each party will have to contribute not less than 60% of its relative share of the registered capital of the Joint Venture within 2 months from the date of the business licence of the Joint Venture being issued and the remaining contribution should be made within 24 months from the date of the business licence of the Joint Venture. The security deposit paid by ZCIDL in respect of the acquisition of the Subject Land will offset part of the land transfer consideration payable by the Joint Venture and shall be repaid by the Joint Venture to ZCIDL.

It is proposed that the capital contributions made by the Joint Venture partners to the Joint Venture will be used to finance the Subject Land acquisition and as working capital for the relevant property development project.

The Group proposes to finance its capital contribution commitment by its internal available resources.

LETTER FROM THE BOARD

The JV Contract provides that the Joint Venture will arrange debt financing for the proposed property development project. However, if the Joint Venture is unable to arrange the necessary debt financing, Long Success has agreed to procure the making of a loan of at least RMB200 million to the Joint Venture at an interest rate not higher than the comparable lending rate published by the People's Bank of China.

If further capital is still required by the Joint Venture, the registered capital of the Joint Venture may further be increased from RMB400 million to RMB600 million, which shall be contributed by the Joint Venture partners in accordance with their respective equity interests. In that case, Long Success will have to contribute a further RMB130 million (payable in Hong Kong dollars) to the Joint Venture.

The Group intends to satisfy the above funding requirements by its internal resources or other external financing as may be procured by it from time to time.

Undertaking by ZCIDL

The development plot ratio for the development on the Subject Land shall be not less than 1.5 times according to the 成都市高新區掛牌地塊 GX2007-1-22 號地塊規劃設計條件通知書 (the relevant land auction notification for planning conditions). ZCIDL has undertaken under the JV Contract that, subject to compliance with the relevant prescribed planning conditions, the actual development plot ratio for the development on the Subject Land will not be less than 9.0 times and has agreed to compensate Long Success if the actual plot ratio is less than 9.0 times according to the following calculation:

$$\left(\frac{\text{RMB}363,982,780}{39,137.93 \times \text{Actual development plot ratio}} - \frac{\text{RMB}363,982,780}{39,137.93 \times 9.0} \right) \times 39,137.93 \times \text{Actual development plot ratio} \times 65\%$$

Reasons for the transaction

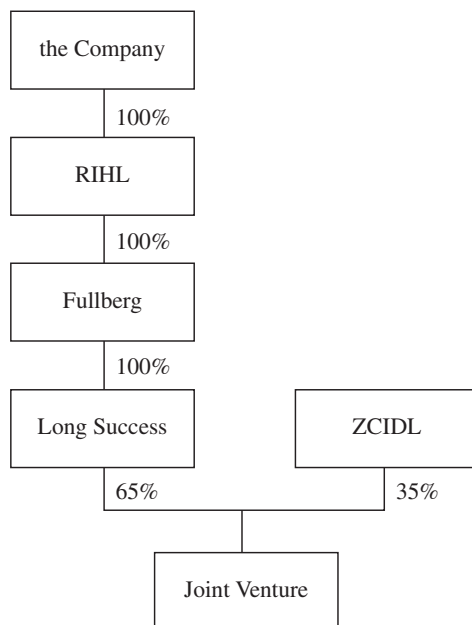
The Group is principally engaged in the businesses of hotel operation and management, property development and investment, asset management and other investments. The proposed investment in the property development project on the Subject Land to be acquired by the Joint Venture is in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the JV Contract are fair and reasonable and the proposed formation of the Joint Venture is in the interests of the Company and its shareholders as a whole.

The formation of the Joint Venture is subject to the obtaining of any necessary approval and completion of any necessary filing and registration procedures with the relevant government authorities.

LETTER FROM THE BOARD

Joint Venture structure

Set out below is the shareholding structure of the Joint Venture upon its establishment:



The Joint Venture shall be treated as a jointly-controlled entity of Long Success and accounted for in the consolidated financial statements of the Group using equity method of accounting under Hong Kong Generally Accepted Accounting Principles.

SUBSCRIPTION OF CONVERTIBLE BONDS

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.

In addition, 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.

The Tranche 1 Subscription Agreement

The principal terms of the Tranche 1 Subscription Agreement are set out below:

Date: 6 December 2007

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

LETTER FROM THE BOARD

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) Time Crest as the subscriber of the Tranche 1 CB
 - (ii) Well Mount as the grantee of an option to subscribe for the Tranche 1 Optional CB
- Conditions: Completion of the Tranche 1 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 1 Subscription Agreement, granting the option to Well Mount in relation to the subscription of the Tranche 1 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 Time Crest 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 1 CB, or if any Tranche 1 Optional CB are issued, at the issue of the Tranche 1 Optional CB, (a) all the representations and warranties of the CB Issuer and CIHL set forth in the Tranche 1 Subscription Agreement remaining accurate and correct in all material respects, (b) all the undertakings and obligations of the CB Issuer and CIHL set forth in the Tranche 1 Subscription Agreement to be performed on or before the issue of the Tranche 1 CB having been performed in all material respects, and (c) no event of default under the CBs or Optional CBs having occurred;

LETTER FROM THE BOARD

- (vi) execution by CIHL of a deed of guarantee and issue of the Tranche 1 CB and (if applicable) the Tranche 1 Optional CB substantially in the form set out in the Tranche 1 Subscription Agreement;
- (vii) certified true copies of board resolutions of the CB Issuer and CIHL approving and authorising the execution of the Tranche 1 Subscription Agreement and the deed of guarantee and the issue of the Tranche 1 CB and the Tranche 1 Optional CB being given to Time Crest and Well Mount;
- (viii) certified true copies of documentary evidence showing that the CB Issuer is an indirect wholly-owned subsidiary of CIHL being provided to Time Crest and Well Mount; and
- (ix) no material adverse change in the financial condition of the CIHL Group having occurred since the date of the Tranche 1 Subscription Agreement in the reasonable opinion of Time Crest and Well Mount.

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 1 Subscription Agreement cannot be waived. If any of the conditions has not been satisfied (or, as the case may be, waived by Time Crest or Well Mount except for 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 1 Subscription Agreement shall lapse and none of the parties to the Tranche 1 Subscription Agreement shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the Tranche 1 Subscription Agreement.

On the date of signing of the Tranche 1 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 Time Crest and Well Mount to vote in favour of any resolutions proposed at the general meeting of CIHL in connection with the transactions contemplated under the Tranche 1 Subscription Agreement.

- Option:** Well Mount shall be granted an option to subscribe for the Tranche 1 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 1 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).

LETTER FROM THE BOARD

Principal terms of the Tranche 1 CB and the Tranche 1 Optional CB

The following is a summary of the principal terms of the Tranche 1 CB and the Tranche 1 Optional CB:

- Principal amount: (i) Tranche 1 CB: HK\$100 million
- (ii) Tranche 1 Optional CB: up to HK\$100 million
- Conversion: The holders of the Tranche 1 CB or the Tranche 1 Optional CB can exercise the conversion rights attached to the Tranche 1 CB or the Tranche 1 Optional CB to convert the outstanding principal amounts of the Tranche 1 CB or the Tranche 1 Optional CB in whole or in part into Conversion Shares at any time from 14 days after the issue of the Tranche 1 CB or the Tranche 1 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.
- Conversion Price: The initial conversion price of HK\$0.60 per Conversion Share was arrived at after arm's length negotiation and represents:
- (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;
 - (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
 - (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.

The initial Conversion Price will be subject to adjustment for share consolidations, share subdivisions, re-classifications 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).

LETTER FROM THE BOARD

- Interest rate: The Tranche 1 CB and the Tranche 1 Optional CB bear no coupon rate.
- Maturity Date: The fifth anniversary of the date of issue of the Tranche 1 CB. On the Maturity Date, all of the outstanding Tranche 1 CB and Tranche 1 Optional CB will be redeemed by CIHL at 128.01% of the outstanding principal amount of the Tranche 1 CB and the Tranche 1 Optional CB, representing a yield to maturity of 5% per annum, compounded semi-annually.
- Voting: A holder of the Tranche 1 CB or the Tranche 1 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 1 CB or the Optional Tranche 1 CB.
- Listing: No application will be made for the listing of the CBs or the Optional CBs on the Stock Exchange or any other stock exchange.
- 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 1 CB and/or such Tranche 1 Optional CB to redeem all the outstanding Tranche 1 CB and Tranche 1 Optional CB at an amount equals to the outstanding principal amounts of the Tranche 1 CB and the Tranche 1 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 1 CB or the Tranche 1 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.

LETTER FROM THE BOARD

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.

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.

The 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 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.

LETTER FROM THE BOARD

In April 2007, Fancy Gold Limited, a wholly-owned subsidiary of CIHL, issued the 2010 CBs to Valuegood, a wholly-owned subsidiary of the Company. Such 2010 CBs are in a principal amount of HK\$102,500,000 and 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). The Group had not converted any of the 2010 CBs issued to it up to the Latest Practicable Date.

The Group and the CIHL Group have entered into a conditional agreement on 14 November 2007 pursuant to which the 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 the Company is subject to, inter alia, approval by the shareholders of CIHL.

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

In January 2007, a wholly-owned subsidiary of Paliburg, Paliburg Development BVI Holdings Limited, entered into an agreement with CIHL; and another wholly-owned subsidiary of Paliburg, Lendas, entered into a separate agreement with Sinofair Investment Limited, a wholly-owned subsidiary of CIHL. Pursuant to the two agreements, the Paliburg Group, among other things, disposed of certain companies and related 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 the 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 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 million which was satisfied by Paliburg issuing 336,000,000 new shares of Paliburg to the relevant seller.

LETTER FROM THE BOARD

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 Paliburg Group and the 2010 CBs held by the Group (excluding the 2010 CBs held by a bondholder who is independent of the Paliburg Group and the 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 Paliburg Group, the 2010 CBs held by the Group (excluding the 2010 CBs held by a bondholder who is independent of the Paliburg Group and the 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 Paliburg Group and the 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) conversion in full of the 2009 CBs, the 2010 CBs, 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	—	—	566,800,000	17.73%	900,133,332	23.30%	900,133,332	21.93%	900,133,332	20.44%
The Paliburg Group	—	—	980,000,000	30.66%	1,313,333,332	34.00%	513,333,332	12.51%	513,333,332	11.65%
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%
Public shareholders										
The Group	66,800,000	3.52%	—	—	—	—	—	—	—	—
The Paliburg Group	180,000,000	9.49%	—	—	—	—	—	—	—	—
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%
Total	1,896,300,000	100.00%	3,196,300,000	100.00%	3,862,966,664	100.00%	4,104,633,329	100.00%	4,404,633,329	100.00%

Notes:

- The Group will comply with 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 Paliburg Group, and the 2010 CBs, the Tranche 1 CB and the Tranche 1 Optional CB held by the Group. The Paliburg Group and the 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 Paliburg Group and/or the Group.

LETTER FROM THE BOARD

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 Group and the Paliburg 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 the businesses of hotel operation and management, property development and investment, asset management and other investments. The Group intends to finance its subscription of the Tranche 1 CB and the Tranche 1 Option 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 1 CB and the Tranche 1 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 1 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
Regal Hotels International 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:

	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/ Other interests	
1. The Company	Mr. Lo Yuk Sui (“Mr. Lo”)	Ordinary				
		(i) issued	242,000	4,760,972,636 (Note a(i))	2,607,000	4,763,821,636
		(ii) unissued	200,000,000 (Note a(iii))	15,608,427 (Note a(ii))	—	215,608,427
					Total (i) & (ii):	4,979,430,063 (47.07%)
		Preference (issued)	—	3,440 (Note a(ii))	—	3,440 (20.54%)

		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.	The Company	Dr. Francis Choi Chee Ming	Ordinary (issued)	502,400,000	—	—	502,400,000 (4.75%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (unissued)	30,000,000 <i>(Note b)</i>	—	—	30,000,000 (0.28%)
		Mr. Donald Fan Tung	Ordinary (unissued)	20,000,000 <i>(Note c)</i>	—	—	20,000,000 (0.19%)
		Mr. Jimmy Lo Chun To	Ordinary (unissued)	15,000,000 <i>(Note d)</i>	—	—	15,000,000 (0.14%)
		Miss Lo Po Man	Ordinary				
			(i) issued	3,000,000	—	2,691,690 <i>(Note e)</i>	5,691,690
			(ii) unissued	30,000,000 <i>(Note b)</i>	—	—	30,000,000
						Total (i) & (ii):	35,691,690 (0.34%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 <i>(Note c)</i>	—	—	20,000,000 (0.19%)
	Name of associated corporation						
2.	8D International (BVI) Limited	Mr. Lo	Ordinary (issued)	—	1,000 <i>(Note f)</i>	—	1,000 (100%)
3.	Regal Real Estate Investment Trust	Mr. Lo	Units (issued)	—	2,233,078,481 <i>(Note g)</i>	—	2,233,078,481 (71.71%)

Notes:

- (a) (i) The interests in 4,214,000 issued ordinary shares of the Company were held through companies wholly owned by Century City International Holdings Limited (“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 the Company were held through companies wholly-owned by Paliburg, in which Century City held 52.26% shareholding interests.

- (ii) The interests in 15,608,427 unissued ordinary shares of the Company were held through companies wholly owned by Paliburg, 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 the Company related to the interests in 3,440 convertible cumulative preference shares of the Company carrying rights to convert into 15,608,427 new ordinary shares of the Company, 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 the Company were held through the interests in the options granted under the share option scheme of the Company named as “The Regal Hotels International Holdings Limited” (the “Share Option Scheme”), entitling the holder thereof to subscribe for a total of 200,000,000 new ordinary shares of the Company 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:

Exercise period	Number of ordinary shares of the Company under vested options
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

- (b) The interests in 30,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 30,000,000 new ordinary shares of the Company 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:

Exercise period	Number of ordinary shares of the Company under vested options
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

- (c) The interests in 20,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of the Company 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:

Exercise period	Number of ordinary shares of the Company under vested options
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

- (d) The interests in 15,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 15,000,000 new ordinary shares of the Company 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:

Exercise period	Number of ordinary shares of the Company under vested options
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

- (e) The interests in 2,691,690 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.
- (f) 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.
- (g) The interests in 2,227,791,481 units of Regal Real Estate Investment Trust were held through wholly owned subsidiaries of the Company, and the interests in the other 5,287,000 units of Regal Real Estate Investment Trust were held through wholly owned subsidiaries of Century City. Paliburg, in which Century City held 52.26% shareholding interests, held 44.97% shareholding interests in the Company. Mr. Lo held 53.82% shareholding interests in Century City.

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 the issued ordinary shares as at the Latest Practicable Date
Century City (<i>Note i</i>)	4,760,972,636	15,608,427	4,776,581,063	45.16%
Century City BVI Holdings Limited (<i>Note ii</i>)	4,760,972,636	15,608,427	4,776,581,063	45.16%
Almighty International Limited (<i>Note ii</i>)	4,760,972,636	15,608,427	4,776,581,063	45.16%
Paliburg (<i>Note iii</i>)	4,756,758,636	15,608,427	4,772,367,063	45.12%
Paliburg Development BVI Holdings Limited (<i>Note iv</i>)	4,756,758,636	15,608,427	4,772,367,063	45.12%
Guo Yui Investments Limited (<i>Note iv</i>)	1,621,924,666	—	1,621,924,666	15.33%
Paliburg International Holdings Limited (<i>Note iv</i>)	2,629,432,101	—	2,629,432,101	24.86%
Paliburg BVI Holdings Limited (<i>Note iv</i>)	2,629,432,101	—	2,629,432,101	24.86%
Taylor Investments Ltd. (<i>Note iv</i>)	1,542,323,056	—	1,542,323,056	14.58%
Glaser Holdings Limited (<i>Note iv</i>)	586,828,314	—	586,828,314	5.55%

Notes:

- (i) The interests in ordinary shares held by Century City were included in the corporate interests of Mr. Lo in the Company as disclosed under the section headed "Disclosure of Directors' Interests" above.
- (ii) These companies are wholly owned subsidiaries of Century City and their interests in the ordinary shares of the Company are included in the interests held by Century City.
- (iii) Paliburg is a listed subsidiary of Century City, which held 52.26% shareholding interests in Paliburg, and Paliburg's interests in the ordinary shares of the Company are included in the interests held by Century City.
- (iv) These companies are wholly owned subsidiaries of Paliburg and their interests in the ordinary shares of the Company are included in the interests held by Paliburg.

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 of the Company 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 and Paliburg.
- (2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of all the above-mentioned wholly-owned subsidiaries of Century City and Paliburg.

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 Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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.