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

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

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

#### **Formation of Joint Venture**

On 24 November 2007, Long Success, a wholly-owned subsidiary of Regal, entered into the JV Contract with ZCIDL for the establishment of the Joint Venture to engage in a property development project in the PRC.

It is presently intended that the Joint Venture shall develop commercial and office buildings, a hotel and serviced apartments on the Subject Land in Chengdu City, Sichuan Province, the PRC.

The formation of the Joint Venture is subject to the obtaining of any necessary approval and completion of any necessary filing and registration procedures. The registered capital of the Joint Venture is RMB400 million. Long Success and ZCIDL shall respectively contribute RMB260 million and RMB140 million, representing 65% and 35% of the registered capital of the Joint Venture respectively.

#### **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 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.

On the even date, 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 up to HK\$100 million. Jumbo Pearl and Sun Joyous are 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.

Each of the formation of the Joint Venture, the subscription of the Tranche 1 CB and the possible subscription of the Tranche 1 Optional CB constitutes a discloseable transaction for Regal under the Listing Rules. A circular setting out further details in respect of the formation of the Joint Venture, the subscription of the Tranche 1 CB and the possible subscription of the Tranche 1 Optional CB will be despatched to the shareholders of Regal as soon as possible under the Listing Rules.

The subscription of the Tranche 2 CB and the possible subscription of the Tranche 2 Optional CB constitute a discloseable transaction for Paliburg under the Listing Rules. A circular setting out further details in respect of the subscription of the Tranche 2 CB and the possible subscription of the Tranche 2 Optional CB will be despatched to the shareholders of Paliburg as soon as possible under the Listing Rules.

## **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 of Regal 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 Regal 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 others, 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.

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)**

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

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

Each party will have to contribute not less than 60% of its relative 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 to 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 the working capital for the relevant property development project.

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

The JV Contract has provided 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 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 further contribute RMB130 million (payable in Hong Kong dollars) to the Joint Venture.

The Regal 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 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 prescribed relevant planning conditions, the actual development plot ratio for the development on the Subject Land will not be less than 9.0 and has agreed to compensate Long Success if the actual plot ratio is less than 9.0 according to the following calculation:

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

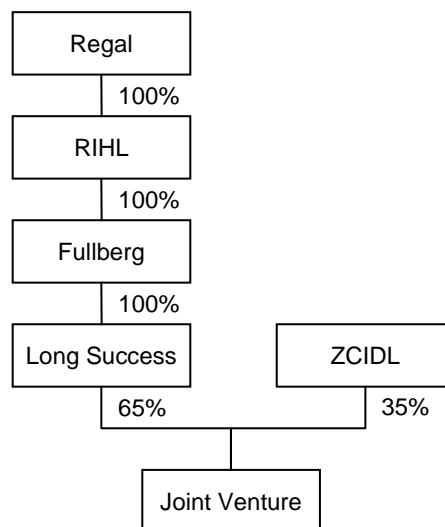
#### **Reasons for the transaction**

The Regal 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 Regal Group. The directors (including the independent non-executive directors) of Regal 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 Regal 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.

## 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 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.

On the even date, 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 Subscription Agreements

The principal terms of the Tranche 1 Subscription Agreement and the Tranche 2 Subscription Agreement are the same and 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 of Paliburg and Regal having made all reasonable enquiries, the CB Issuer and CIHL are parties independent of Paliburg and Regal and their respective connected persons. The present business and shareholding relationships between the Paliburg Group, the Regal Group and the CIHL Group as at the date of this announcement 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

(iii) Jumbo Pearl as the subscriber of the Tranche 2 CB

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

Conditions : Completion of each of the Subscription Agreements 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 relevant Subscription Agreement, granting the options to Well Mount or Sun Joyous (as the case may be) in relation to the subscription of the Optional CBs, 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 (including, without limitation, obtaining shareholder's approval) and all regulatory requirements in Hong Kong) having been complied with and satisfied by the CB Issuer, CIHL, the Subscribers, Paliburg and/or Regal (as the case may be);
- (iii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares;
- (iv) the confirmation by the relevant Subscriber 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 CBs, or if any Optional CBs are issued, at the issue of the Optional CBs, (a) all the representations and warranties of the CB Issuer and CIHL set forth in the Subscription Agreements 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 Subscription Agreements to be performed on or before the issue of the CBs 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 CBs and (if applicable) the Optional CBs substantially in the form set out in the Subscription Agreements;
- (vii) certified true copies of board resolutions of the CB Issuer and CIHL approving and authorising the execution of the relevant Subscription Agreement and the deed of guarantee and the issue of the CBs and the Optional CBs being given to the relevant Subscriber;
- (viii) certified true copies of documentary evidence showing that the CB Issuer is an indirect wholly-owned subsidiary of CIHL; and
- (ix) no material adverse change in the financial condition of CIHL Group since the date of the Subscription Agreements in the reasonable opinion of the relevant Subscriber.

The Tranche 1 Subscription Agreement and the Tranche 2 Subscription Agreement are not inter-conditional. The conditions (i), (ii) and (iii) under the relevant Subscription Agreement cannot be waived. If any of the conditions has not been satisfied (or, as the case may be, waived by the Subscribers 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 relevant Subscription Agreement shall lapse and none of the parties to the relevant Subscription Agreement shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the relevant Subscription Agreement.

On the date of signing of the Subscription Agreements, Giant Sino Group Limited, a company holding approximately 45.26% of the issued share capital of CIHL, gave separate undertakings to (1) Time Crest and Well Mount and (2) 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 in the Subscription Agreements.

Options : Each of Well Mount and Sun Joyous shall be granted an option to subscribe for the Tranche 1 Optional CB and the Tranche 2 Optional CB respectively on one or more occasions in an amount of HK\$1 million or multiples of HK\$1 million.

Completion : Issue of the CBs 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 CBs and the Optional CBs**

The following is a summary of the principal terms of the CBs and the Optional CBs

Principal amount: : (i) Tranche 1 CB: HK\$100 million

(ii) Tranche 2 CB: HK\$100 million

(iii) Tranche 1 Optional CB: up to HK\$100 million

(iv) Tranche 2 Optional CB: up to HK\$100 million

Conversion : The holders of the CBs or the Optional CBs can exercise the conversion rights attached to the CBs or the Optional CBs to convert the outstanding principal amounts of the CBs or the Optional CBs in whole or in part into Conversion Shares at any time from 14 days after the issue of the CBs or the Optional CBs 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% to 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; and

(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.



The initial Conversion Price will be 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).

- Interest rate : The CBs and the Optional CBs bear no coupon rate.
- Maturity Date : The fifth anniversary of the date of issue of the CBs. On the Maturity Date, all of the remaining CBs and Optional CBs will be redeemed by CIHL at 128.01% of the outstanding principal amount of the CBs or Optional CBs, representing a yield to maturity of 5% per annum, compounded semi-annually.
- Voting : A holder of the CBs or the Optional CBs 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 CBs or the Optional CBs.
- 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. An application will be made by CIHL for the listing of, and permission to deal in, the Conversion Shares (if any) to be issued as a result of the exercise of the conversion rights attached to the CBs and the Optional CBs.
- 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 any of the Tranche 1 CB, Tranche 2 CB, Tranche 1 Optional CB or Tranche 2 Optional CB is still outstanding, by giving not less than 15 nor more than 30 business days' notice to the holders of such CBs or such Optional CBs to redeem the CBs or the Optional CBs at an amount equals to the outstanding principal amounts of the CBs or the Optional CBs 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 CBs/Optional CBs to but excluding the date of the redemption.

## 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 CBs or the Optional CBs will rank pari passu in all respects with all other CIHL Shares outstanding at the date of conversion of the CBs or the Optional CBs. Regal and Paliburg understand 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 and securities trading.

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 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 the relevant shareholder's loan to 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 (representing approximately 42.2% of the existing issued share capital of CIHL and approximately 29.7% of the issued share capital of CIHL as enlarged solely by the conversion

of the 2009 CBs) 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. Up to the date of this announcement, no 2009 CBs have been converted.

As set out in the announcement of Paliburg dated of 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.

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.

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.

The Regal Group owns 66,800,000 CIHL Shares, representing approximately 3.52% of the existing issued share capital of CIHL. 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. The Regal Group has not converted any of the 2010 CBs issued to it up to the date of this announcement.

Paliburg owns an approximately 44.92% interest in Regal as at the date of this announcement.

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

	Existing		Upon conversion in full of the 2009 CBs held by Paliburg and the 2010 CBs held by Regal (excluding the 2010 CBs held by a bondholder who is independent of the Paliburg 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 Paliburg, the 2010 CBs held by Regal (excluding the 2010 CBs held by a bondholder who is independent of the Paliburg Group and the Regal Group) and the CBs and the Optional CBs at the respective existing/initial conversion prices (assuming no other changes to the shareholding structure of CIHL)		Assuming that the 2009 CBs have been placed to public shareholders of CIHL pursuant to the placement right granted to the CIHL Group under the terms of the 2009 CBs and upon conversion in full of the 2009 CBs, all 2010 CBs, the CBs, the Optional CBs and the convertible bond to be issued by the CIHL Group to a company independent of the Paliburg Group and the Regal Group in a maximum principal amount of HK\$25 million at the respective existing/initial conversion prices (assuming no other changes to the shareholding structure of CIHL)	
	Number of CIHL Shares	%	Number of CIHL Shares	%	Number of CIHL Shares	%	Number of CIHL Shares	%
The Regal Group	-	-	566,800,000	17.73%	900,133,332	23.30%	900,133,332	21.93%
The Paliburg Group	-	-	980,000,000	30.66%	1,313,333,332	34.00%	513,333,332	12.51%
Giant Sino Group Limited	858,215,218	45.26%	858,215,218	26.85%	858,215,218	22.22%	858,215,218	20.91%
<i>Public shareholders</i>								
The Regal Group	66,800,000	3.52%	-	-	-	-	-	-
The Paliburg Group	180,000,000	9.49%	-	-	-	-	-	-
Other public shareholders	<u>791,284,782</u>	<u>41.73%</u>	<u>791,284,782</u>	<u>24.76%</u>	<u>791,284,782</u>	<u>20.48%</u>	<u>1,832,951,447</u>	<u>44.65%</u>
<b>Total</b>	<u><u>1,896,300,000</u></u>	<u><u>100.00%</u></u>	<u><u>3,196,300,000</u></u>	<u><u>100.00%</u></u>	<u><u>3,862,966,664</u></u>	<u><u>100.00%</u></u>	<u><u>4,104,633,329</u></u>	<u><u>100.00%</u></u>

**Notes:**

1. The Regal Group and the Paliburg Group will comply with the obligations under the Code on Takeovers and Mergers should any such obligations arise as a result of the conversion of the 2009 CBs held by Paliburg, 2010 CBs held by Regal, the CBs, and/or the Optional CBs. The Paliburg 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 Paliburg Group and the Regal Group.
2. Regal and Paliburg understand from CIHL that CIHL has entered into an agreement pursuant to which a subsidiary of CIHL will issue to a company independent from the Regal Group and the Paliburg Group convertible bonds due 2010 in an aggregate principal amount of up to HK\$25 million at an initial conversion price of HK\$0.60 (subject to adjustment).
3. The above shareholding table has not taken into account any of the options granted or agreed to be granted by CIHL which confer on their holders the right to subscribe for new CIHL Shares.

**Reasons for the transaction**

The Regal Group is principally engaged in the businesses of hotel operation and management, property development and investment, asset management and other investments. The Regal 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 Regal Group.

The Paliburg Group is principally engaged in property development and investment, construction and building related businesses and other investments. The Paliburg 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 Paliburg Group.

The directors of Paliburg and the directors of Regal (including their respective independent non-executive directors) are optimistic on the PRC property related business in which the CIHL Group is involved and consider that the subscription of the CBs and the Optional CBs represents a good investment opportunity which offers appropriate exposure to the PRC property market through sharing in the prospects of the CIHL Group and the terms of the Subscription Agreements are fair and reasonable and in the respective interests of the shareholders of Paliburg and Regal.

## **GENERAL**

Each of the formation of the Joint Venture, the subscription of the Tranche 1 CB and the possible subscription of the Tranche 1 Optional CB constitutes a discloseable transaction for Regal under the Listing Rules. A circular setting out further details in respect of the formation of the Joint Venture, the subscription of the Tranche 1 CB and the possible subscription of the Tranche 1 Optional CB will be despatched to the shareholders of Regal as soon as possible under the Listing Rules.

The subscription of the Tranche 2 CB and the possible subscription of the Tranche 2 Optional CB constitute a discloseable transaction for Paliburg under the Listing Rules. A circular setting out further details in respect of the subscription of the Tranche 2 CB and the possible subscription of the Tranche 2 CB will be despatched to the shareholders of Paliburg as soon as possible under the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“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

“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 adjustments
“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
“Fullberg”	Fullberg Group Limited, a company incorporated in the British Virgin Islands
“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
“Jumbo Pearl”	Jumbo Pearl Investments Limited, a company incorporated in the British Virgin Islands and 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
“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, a wholly owned subsidiary of Regal
“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
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange
“Regal Group”	Regal and its subsidiaries
“RIHL”	Regal International (BVI) Holdings Limited, a wholly-owned subsidiary of Regal
“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
“Subscription Agreement(s)”	the Tranche 1 Subscription Agreement and/or 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 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 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
“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
“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
“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 aggregate principal amount up to HK\$205 million issued by Fancy Gold Limited, a wholly-owned subsidiary of CIHL, to the subscribers of that series of convertible bonds

\* For identification only



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

***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

As at the date of this announcement, the board of directors of Regal 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 of Paliburg  
**Paliburg Holdings Limited**  
Eliza Lam Sau Fun  
*Secretary*

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

6 December 2007