

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MAJOR AND CONNECTED TRANSACTION

POSSIBLE EXERCISE OF THE CONVERSION RIGHT ATTACHED TO THE SUBJECT 2010 CB HELD BY THE GROUP

On 26 April 2010 after trading hours, Valuegood (a wholly-owned subsidiary of the Company), the Issuer and CIHL entered into the Extension Agreement to extend the maturity date of the Subject 2010 CB to 16 May 2011 subject to the terms and conditions of the Extension Agreement.

The possible exercise of the conversion right attached to the Subject 2010 CB after the Extension constitutes a connected transaction and a major transaction for the Company subject to the requirements of the Listing Rules. The Company will seek Independent Shareholders' approval for and/or ratification of the Extension and the possible exercise of the conversion right attached to the Subject 2010 CB. The Company will convene and hold a special general meeting to seek Independent Shareholders' approval for and/or ratification of the Extension and the possible exercise of the conversion right attached to the Subject 2010 CB. The Company will establish an independent board committee and will appoint an independent financial adviser to advise the Independent Shareholders and the independent board committee regarding the Extension and the possible exercise of the conversion right attached to the Subject 2010 CB.

A circular containing details of the Subject 2010 CB, the Extension, the possible exercise of the conversion right attached to the Subject 2010 CB, and the respective letters of advice from the independent board committee and the independent financial adviser will be despatched to the Shareholders as soon as practicable.

Valuegood subscribed for the 2010 CB with a principal amount of HK\$102.5 million in 2007 and further acquired the 2010 CB with a principal amount of HK\$38.95 million from a subscriber of the 2010 CBs in 2008. The cash considerations for the aforesaid subscription and acquisition of 2010 CBs, which were determined with reference to the then market prices of CIHL Shares, have been paid by Valuegood. As at the date of this announcement, Valuegood holds the Subject 2010 CB with an aggregate principal amount of HK\$141.45 million. The 2010 CBs would mature on 16 May 2010 unless extended.

EXTENSION AGREEMENT

On 26 April 2010 after trading hours, Valuegood, the Issuer and CIHL entered into the Extension Agreement to extend the maturity date of the Subject 2010 CB with an aggregate principal amount of HK\$141.45 million for one year to 16 May 2011 and the conversion period of the Subject 2010 CB will accordingly be extended for one year to 2 May 2011.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for the Group's and 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.

Subject to the Extension Agreement becoming unconditional, the Company and Valuegood have jointly and severally given an undertaking in favour of CIHL that they will not without the consent of CIHL directly or indirectly dispose of or enter into any agreement to dispose of, transfer or enter into any agreement to transfer or otherwise create any options, rights, interests or encumbrances in respect of (i) the CIHL Shares presently held by the Group; (ii) the Subject 2010 CB, 2013 CB with a principal amount of HK\$100 million presently held by the Group and an additional 2013 CB with a principal amount of up to HK\$100 million that the Group may subscribe for pursuant to an option granted by the CIHL Group and (iii) any new CIHL Shares that may be issued from the conversion of such convertible bonds. The above non-disposal lock-up undertakings are for a period up to 16 May 2011, subject to certain exceptions set out in such undertaking comprising any one of the following events: merger and amalgamation, winding-up of CIHL, and general offer for the CIHL Shares.

If the Extension has not become unconditional by the long-stop date of the Extension Agreement, upon its maturity on 16 May 2010 all the Subject 2010 CB would have to be redeemed by the Issuer at 115.97% of the outstanding principal amount of the Subject 2010 CB, requiring the CIHL Group to pay the holder of the Subject 2010 CB redemption monies of approximately HK\$164 million. Pending the Extension becoming unconditional, Valuegood has agreed that the Issuer may suspend the payment of such redemption monies until the long-stop date of the Extension Agreement.

The extension of the maturity date and conversion period of the Subject 2010 CB is conditional on (i) the Company obtaining approval and/or ratification of the Extension Agreement by the Independent Shareholders; (ii) CIHL obtaining approval and/or ratification of the Extension Agreement by its independent shareholders; and (iii) the Stock Exchange's consent in respect of the Extension. If the conditions are not fulfilled on or before 10 June 2010 (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.

MAJOR TERMS OF THE SUBJECT 2010 CB

Apart from the extension of the maturity date and conversion period of the Subject 2010 CB and the redemption premium calculated based on a fixed yield to maturity of the Subject 2010

CB, all terms of the Subject 2010 CB remain unchanged from the original terms of the 2010 CBs issued by the Issuer. Set out below are the major terms of the Subject 2010 CB.

Principal amount:	HK\$141.45 million
Conversion:	The holder of the Subject 2010 CB can convert the outstanding principal amount of the Subject 2010 CB into Subject Conversion Shares at any time until a date falling fourteen (14) days prior to the extended maturity date of the Subject 2010 CB.
Conversion price:	HK\$0.20 per Subject Conversion Share, subject to adjustment for share consolidation, share subdivisions, re-classification of share into other securities, capitalization 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 2010 CB bears no coupon rate.
Extended maturity date:	16 May 2011. On the extended maturity date, all of the remaining outstanding Subject 2010 CB will be redeemed by the Issuer at 121.84% of the outstanding principal amount of the Subject 2010 CB, representing a yield to maturity of 5% per annum.
Voting:	A holder of any Subject 2010 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 2010 CB.
Listing:	The Subject 2010 CB is not listed on the Stock Exchange. No application will be made for the listing of the Subject 2010 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 2010 CB will rank pari passu in all respects with all other CIHL Shares outstanding at the date of conversion of the Subject 2010 CB.

Early redemption: The Issuer has the right, at any time prior to the extended maturity date, by not less than 15 nor more than 30 business days' notice to the holders of the Subject 2010 CB to redeem the Subject 2010 CB at an amount equal to the outstanding principal amounts of the Subject 2010 CB together with a redemption premium equal to 5.0% per annum (to be calculated on a semi-annual compound basis) if total outstanding principal amount of the Subject 2010 CBs is not more than 10% of the total principal amount of the 2010 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 2010 CB at the prevailing conversion price of HK\$0.20 per Subject Conversion Share.

Subject Conversion Shares	% of existing issued share capital of CIHL	% of issued share capital of CIHL as enlarged by conversion of the Subject 2010 CB
707,250,000	31.39%	23.89%

INFORMATION ON THE CIHL GROUP

Overview of CIHL

According to the 2009 interim report of CIHL, for the six months ended 30 September 2009, the principal activities of the CIHL Group were property investment, property development, investment in listed and unlisted securities and other investments.

The following table sets out the audited consolidated profit and loss before and after taxation of CIHL for the two years ended 31 March 2009.

	For the year ended 31 March	
	2008	2009
	HK\$'000	HK\$'000
Profit/(loss) before taxation from continuing operations	113,504	(272,418)
Profit/(loss) after taxation from continuing and discontinued operations	76,805	(265,790)

CIHL reported an unaudited consolidated net asset value (including minority interests) of HK\$166,249,000 as at 30 September 2009.

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 of the Subject 2010 CB and upon conversion of all presently outstanding convertible bonds of the CIHL Group, for illustrative purposes only.

Shareholders	As at the date of this announcement		Upon conversion of the 2010 CB (including the Subject 2010 CB)		Upon conversion of all presently outstanding convertible bonds of the CIHL Group	
		%		%		%
Giant Sino Group Limited	880,715,218	39.08%	880,715,218	29.64%	880,715,218	23.61%
Paliburg Group	380,000,000	16.86%	380,000,000	12.79%	806,666,666	21.62%
Regal Group	66,800,000	2.96%	774,050,000	26.05%	1,107,383,333	29.68%
Other shareholders	<u>925,927,639</u>	<u>41.10%</u>	<u>936,177,639</u>	<u>31.52%</u>	<u>936,177,639</u>	<u>25.09%</u>
	2,253,442,857	100%	2,970,942,857	100%	3,730,942,856	100%

Notes:

Apart from the Subject 2010 CB, the following convertible bonds issued by the CIHL Group are outstanding as at the date of this announcement:

- (i) zero coupon guaranteed convertible bonds due 2011 with an aggregate principal amount of HK\$28 million held by the Paliburg Group convertible into approximately 93.3 million new CIHL Shares based on the prevailing conversion price of HK\$0.30 per CIHL Share; and
- (ii) the 2013 CBs with an aggregate principal amount of HK\$200 million (of which the 2013 CBs with a principal amount of HK\$100 million is held by each of the Paliburg Group and the Group) convertible into a total of approximately 666.7 million new CIHL Shares based on the prevailing conversion price of HK\$0.30 per CIHL Share.

In addition to the above, the CIHL Group has also granted to each of the Group and the Paliburg Group options to subscribe for further 2013 CBs with a principal amount of up to HK\$100 million each in conjunction with the issue of 2013 CBs as mentioned in paragraph (ii) above. The options have not been exercised up to the date of this announcement.

CIHL on 26 April 2010 received a conversion notice from a subscriber of the 2010 CB to convert the 2010 CB with a principal amount of HK\$2.05 million held by it into 10.25 million new CIHL Shares.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

The 2010 CBs would mature on 16 May 2010 unless extended. The conversion of the Subject 2010 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 does not intend to convert the Subject 2010 CB to the extent that any such mandatory offer obligation would be triggered.

The Group considers that it is difficult, within a relatively short period of time, to sell the Subject 2010 CB given the size of the Subject 2010 CB and the significant number of CIHL Shares that may be issued from conversion of the Subject 2010 CB and taking into account the liquidity of the CIHL Shares trading. The Group also considers that it might not be in the overall long-term interest of the Group if such sale would adversely affect the market value of the CIHL shares trading. The market value of the CIHL Shares convertible from the Subject 2010 CB is approximately HK\$1,174 million based on the closing price of CIHL Share of HK\$1.66 each on 26 April 2010 which is significantly higher than the redemption value of the Subject 2010 CB of HK\$164 million (including 15.97% yield upon maturity). The average daily turnover in trading of the CIHL Shares on the Stock Exchange for the 30 trading days up to and including 26 April 2010 was only HK\$13.6 million.

With the Extension, the maturity date of the Subject 2010 CB will be extended for one year to 16 May 2011 and the conversion period will accordingly be extended to 2 May 2011 and there would not be any imminent need to dispose of the Subject 2010 CB.

The prevailing conversion price of the Subject 2010 CB of HK\$0.20 per CIHL Share represents (i) a discount of approximately 88.0% to the closing price of CIHL Share on 26 April 2010; (ii) a discount of approximately 87.8% to the average closing price of CIHL Share for the five trading days up to 26 April 2010; and (iii) a discount of approximately 87.7% to the average closing price of CIHL Share for the 10 trading days up to 26 April 2010.

Accordingly, the Directors (save for Mr. Ng Kwai Kai, Kenneth, an executive Director, who is also a non-executive director of CIHL and has abstained from voting on the relevant resolution relating to the Extension and the possible conversion of the Subject 2010 CB) consider the terms of the Extension and the possible conversion of the Subject 2010 CB fair and reasonable and that the Extension and the possible conversion of the Subject 2010 CB are 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 International Holdings Limited (the listed holding company of Paliburg), is a non-executive director of CIHL. Mr Leung So Po, Kelvin, an executive director of Century City International Holdings Limited, 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 2.96% of the issued share capital of CIHL. The Paliburg Group holds approximately 48.81% of the issued share capital of the Company and the Paliburg Group holds approximately 16.86% of the issued share capital of CIHL. Paliburg (the controlling shareholder of the Company) is a substantial shareholder of CIHL. The possible exercise of the conversion right attached to the Subject 2010 CB after the Extension constitutes a connected transaction under Rule 14A.13(1)(b)(i) of the Listing Rules and a major transaction for the Company subject to the requirements of the Listing Rules (including Independent Shareholders' approval). The Company will convene a special general meeting to seek Independent Shareholders' approval and/or ratification in respect of the Extension and the possible exercise of the conversion right attached to the Subject 2010 CB.

The Company will establish an independent board committee and will appoint an independent financial adviser to advise the Independent Shareholders and the independent board committee regarding the Extension and the possible exercise of the conversion right attached to the Subject 2010 CB.

A circular containing details of the Subject 2010 CB, the Extension, the possible exercise of the conversion right attached to the Subject 2010 CB and the respective letters of advice from the independent board committee and the independent financial adviser will be despatched to the Shareholders as soon as practicable.

The Company has been informed by CIHL that it will seek the Stock Exchange's consent in respect of the Extension.

DEFINITIONS

"2010 CB(s)"	zero coupon guaranteed convertible bond(s) issued by the Issuer with an aggregate principal amount of HK\$205 million
"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\$0.30 per new CIHL Share
“Board”	the board of Directors
“CIHL”	Cosmopolitan International Holdings Limited, the issued 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\$0.001 each in the capital of CIHL
“Company”	Regal Hotels International Holdings Limited, the issued shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Extension”	the proposed extension of the maturity date of the Subject 2010 CB to 16 May 2011 and the conversion period of the Subject 2010 CB to 2 May 2011
“Extension Agreement”	the deed of variation dated 26 April 2010 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
“Independent Shareholders”	the independent shareholders of the Company
“Issuer”	Fancy Gold Limited, a wholly-owned subsidiary of CIHL and the issuer of the 2010 CBs
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Paliburg”	Paliburg Holdings Limited, the issued shares and warrants 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 shares in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject 2010 CB”	the 2010 CB with a principal amount of HK\$141.45 million held by Valuegood, the maturity date and conversion period of which is proposed to be extended by one year pursuant to the Extension
“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 2010 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 of Directors comprises the following members:

Executive Directors

Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
 Ms. Belinda YEUNG Bik Yiu
(Chief Operating Officer)
 Mr. Donald FAN Tung
 Mr. Jimmy LO Chun To
 Miss LO Po Man
 Mr. Kenneth NG Kwai Kai
 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, 26 April 2010