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COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Financial adviser

 **Baron Capital Limited**

PROPOSED ISSUE OF CONVERTIBLE NOTE AND RESUMPTION OF TRADING

The Company has entered into the Agreement with the Subscriber on 8 April 2003 under which the Company agreed to issue the Convertible Note in the aggregate principal amount of approximately HK\$8,747,000 to the Subscriber.

The Conversion Shares to be issued upon conversion of the Convertible Note at the Initial Conversion Price will represent approximately 11.9% of the existing issued share capital of the Company and approximately 9.91% of the enlarged issued share capital of the Company immediately following completion of the Previous Subscription Agreement and full conversion of the Convertible Note.

The Subscriber is independent of, and not connected with, the directors, chief executive and substantial shareholders of the Company or its subsidiaries, or any of their respective associates (as defined under the Listing Rules).

Completion of the Agreement is conditional upon the conditions as listed below being satisfied.

The issue of the Convertible Note and of the Conversion Shares are pursuant to the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 3 March 2003.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 9 April 2003. The Company has applied for resumption of trading in the Shares with effect from 9:30 a.m. on 10 April 2003.

THE AGREEMENT

The Directors announce that the Agreement has been entered into between the Company and the Subscriber on 8 April 2003 pursuant to which the Subscriber will subscribe for the Convertible Note in the aggregate principal amount of approximately HK\$8,747,000 upon completion. Completion of the Agreement will take place on the third Business Day after satisfaction of all conditions listed below.

The Subscriber is independent of, and not connected with, the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates (as defined under the Listing Rules).

COMPLETION

Completion of the Agreement is conditional on the following conditions being satisfied:

- (a) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Conversion Shares and such listing and permission not having been withdrawn or revoked; and
- (b) the obtaining of requisite approvals from governmental, monetary or other regulatory body in the Cayman Islands and Hong Kong required by the Company for the issue of the Convertible Note and the allotment and issue of the Conversion Shares upon the Noteholder's exercise of the Conversion Rights as required under the Cayman Islands laws and Hong Kong laws, or if no such approval is necessary, a legal opinion to that effect.

If any of the conditions have not been satisfied on or before 23 May 2003 (or such other date as the Company and the Subscriber may agree in writing), the Agreement shall terminate.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

The principal terms of the Convertible Note are summarized below:

- Principal amount : Approximately HK\$8,747,000.
- Initial Conversion Price : HK\$0.25 per Share, subject to adjustments in accordance with the terms of the Convertible Note.

The Initial Conversion Price represents a discount of approximately 0.99% to the average closing price per Share of HK\$0.2525 from 24 March 2003 to 8 April 2003, both days inclusive, being the last 10 trading days leading up to and including the date of the Agreement. The Initial Conversion Price also represents a premium of approximately 8.70% to the closing price per Share of HK\$0.23 on 8 April 2003, being the date of the Agreement.

- Issue date : The date on which completion of the Agreement occurs.
- Interest : The Convertible Note does not bear any interest.
- Maturity date : The first anniversary of the date of issue of the Convertible Note ("**Maturity Date**"). Unless fully converted as provided in the Agreement, the Company shall repay the outstanding principal amount (without interest) of the Convertible Note on the Maturity Date.
- Prepayment : The Company will be entitled at any time prior to the Maturity Date to prepay (without penalty) all or any part of the outstanding principal amount (without interest) of the Convertible Note provided that not less than 14 days' notice is given to the Noteholder and the amount so prepaid will be at least HK\$500,000 or in integral multiples thereof. However, if the Company gives notice of an intended prepayment, the

Noteholder may exercise its conversion rights within 7 days of the date of the prepayment notice.

- Conversion rights : The Noteholder will have the right to convert the outstanding principal amount of the Convertible Note into Shares at the Initial Conversion Price, subject to adjustment, prior to the Maturity Date provided that the amount so converted will be at least HK\$500,000 (or in integral multiples thereof) on each conversion. Shares issued upon conversion will rank pari passu in all respects with all other issued Share as at the date of allotment of the Conversion Shares. The right of conversion is exercisable by the Noteholder on any Business Day prior to the Maturity Date by the Noteholder completing and serving on the Company not less than 14 days' prior written notice.
- Conversion condition : The Subscriber has undertaken to the Company that it will not effect any conversion unless it has taken appropriate steps to ensure that not less than 25% of the enlarged issued share capital of the Company immediately following such conversion will be held by the general public.
- Conversion Shares : Upon full conversion of the Convertible Note at the Initial Conversion Price, a total of 34,991,120 Shares will be issued representing approximately 11.9% of the existing issued share capital of the Company and approximately 9.91% of the enlarged issued share capital of the Company immediately following completion of the Previous Subscription Agreement and full conversion of the Convertible Note.
- Voting : The Noteholder will not be entitled to attend or vote an any meetings of the Company by reason only of it being a Noteholder.
- Transferability : The Convertible Note will only be assignable or transferable to a wholly-owned subsidiary of the Subscriber or, with the prior approval of the Company, to any other party. Where such assignment or transfer is to a connected person (as defined under the Listing Rules) of the Company, approval will only be given by the Company if all the requirements under the Listing Rules have been fully complied with to the satisfaction of the Stock Exchange.

SHAREHOLDING STRUCTURE

The table below sets out the changes of the Company's shareholding structure before and immediately following the completion of the Previous Subscription Agreement and assuming full conversion of the Convertible Note:

| | Existing shareholding (shares) | Approximate % | Shareholding immediately upon completion of the Previous Subscription Agreement (shares) | Approximate % | Shareholding immediately following completion of the Previous Subscription Agreement and assuming full conversion of the Convertible Note (shares) | Approximate % | Shareholding assuming completion of the Previous Subscription Agreement does not occur and assuming full conversion of the Convertible Note (shares) | Approximate % |
|---|--------------------------------------|------------------|---|------------------|--|------------------|--|------------------|
| Gold Capital Investments Limited | 159,300,000 | 54.15% | 159,300,000 | 50.09% | 159,300,000 | 45.13% | 159,300,000 | 48.40% |
| Eric Edward Hotung, C.B.E. (Note 1) | 29,952,608 | 10.18% | 29,952,608 | 9.42% | 29,952,608 | 8.49% | 29,952,608 | 9.10% |
| Hotung Investment (China) Limited (Note 1) | 16,171,000 | 5.50% | 16,171,000 | 5.09% | 16,171,000 | 4.58% | 16,171,000 | 4.91% |
| Genesee Company Limited (Note 1) | 15,161,000 | 5.16% | 15,161,000 | 4.76% | 15,161,000 | 4.30% | 15,161,000 | 4.61% |
| Other public (a) | 73,574,659 | 25.01% | 73,574,659 | 23.14% | 73,574,659 | 20.84% | 73,574,659 | 22.35% |
| Subscriber (b) | 0 | 0.00% | 0 | 0.00% | 34,991,120 | 9.91% | 34,991,120 | 10.63% |
| GR Investment International Limited (c) | 0 | 0.00% | 23,840,733 | 7.50% | 23,840,733 | 6.75% | 0 | 0.00% |
| Total public (a) + (b) + (c) | 73,574,659 | 25.01% | 97,415,392 | 30.64% | 132,406,512 | 37.50% | 73,574,659 (Note 2) | 22.35% |
| | <u>294,159,267</u> | <u>100%</u> | <u>318,000,000</u> | <u>100%</u> | <u>352,991,120</u> | <u>100%</u> | <u>329,150,387</u> | <u>100%</u> |

Note 1: Hotung Investment (China) Limited and Genesee Company Limited are considered as concert parties of Eric Edward Hotung, C.B.E. and are not considered as public shareholders since the acquisition of the shares by each of these companies were financed by Eric Edward Hotung, C.B.E.

Note 2: The total public is calculated as Other Public (a) plus GR Investment International Limited (c).

The Company has undertaken to the Stock Exchange that, in the event that completion of the Previous Subscription Agreement does not occur so that less than 25% of the Shares are in public hands immediately following the conversion of the Convertible Note or any part thereof, it will take steps as soon as practicable to ensure that the public float of the Company is not less than 25% of the then issued share capital of the Company. Gold Capital Investments Limited, the controlling shareholder of the Company, has given similar undertaking to the Stock Exchange that it will act with the Company to that effect.

If the Stock Exchange believes that:

- (a) a false market exists or may exist in the Shares; or**
- (b) there are too few Shares in public hands to maintain an orderly market,**

it will consider exercising its discretion to suspend trading in the Shares.

Shareholders of the Company and investors are advised to take caution in dealing in the Shares.

Save for the Convertible Note, the Company does not have any outstanding securities or instruments which are convertible into Shares.

DIRECTORS' GENERAL MANDATE

The issue of the Convertible Note and of the Conversion Shares are pursuant to the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 3 March 2003.

REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTE

The Directors consider that the issue of the Convertible Note is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing shareholders of the Company; and if the conversion rights attached to the Convertible Note are exercised, the loan capital represented by the Convertible Note that are exercised will become share capital of the Company and the holders of such Convertible Note will become shareholders of the Company.

The Directors consider that the terms of the Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company.

USE OF PROCEEDS

Net proceeds of approximately HK\$8,200,000 deriving from this transaction will be applied by the Company in making further investment. However, no specific investment has been identified at present. As the Company's core businesses are property and securities investment, the Company intends to apply such net proceeds to investments which relate to its core businesses.

APPLICATION FOR LISTING

No application will be made for listing of, or permission to deal in, the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Suspension and resumption of trading of Shares

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 9 April 2003. The Company has applied for resumption of trading in the Shares with effect from 9:30 a.m. on 10 April 2003.

DEFINITIONS

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

| | |
|----------------------------|---|
| “Agreement” | The conditional agreement dated 8 April 2003 entered into between the Company and the Subscriber in respect of the subscription of the Convertible Note, as amended from time to time |
| “Board” | The board of Directors |
| “Business Day” | A day (other than a Saturday) on which licensed banks in Hong Kong are open for normal banking business |
| “Company” | Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange |
| “Conversion Shares” | 34,991,120 Shares to be issued upon full conversion of the Convertible Note |
| “Convertible Note” | The convertible note in the aggregate principal amount of approximately HK\$8,747,000 to be issued to the Subscriber |
| “Directors” | The directors of the Company |
| “Group” | The Company and its subsidiaries |
| “HK\$” | The lawful currency for the time being of Hong Kong |
| “Initial Conversion Price” | HK\$0.25 per Share subject to adjustments |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Noteholder” | The holder of the Convertible Note from time to time |

| | |
|-----------------------------------|--|
| “Previous Subscription Agreement” | The conditional subscription agreement dated 26 March 2003 entered into between the Company, Baron Asset Management Limited and GR Investment International Limited, details of which were disclosed in the Company’s announcement dated 28 March 2003 |
| “Share(s)” | Share(s) of a nominal value of HK\$0.10 each in the capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber” | Sunfull Resources Limited, a company incorporated in the British Virgin Islands with limited liability whose business is investment holding. The company is a wholly-owned subsidiary of Golden Resources Development International Limited, an investment holding company whose subsidiaries are engaged in the business of sourcing, importing, wholesaling, processing, packaging, marketing and distribution of rice, warehouse operations, securities investment, property investment and investment holding. |
| “%” | Per cent. |

By order of the Board

Low Kim Teik

Director

Hong Kong, 9 April 2003

“Please also refer to the published version of this announcement in The Standard”.