

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Century City International Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

---



**MAJOR TRANSACTION**

**ON-MARKET PURCHASES AND ON-MARKET REPURCHASES OF  
REGAL HOTELS SHARES**

---

A letter from the board of directors of Century City International Holdings Limited is set out on pages 3 to 6 of this circular.

21 July 2014

---

## CONTENTS

---

		<i>Page</i>
<b>Definitions</b>	.....	1
<b>Letter from the Board</b>	.....	3
<b>Appendix I</b>	— <b>Financial information of the Group</b> . . . . .	7
<b>Appendix II</b>	— <b>Financial information of the Regal Group</b> . . . . .	10
<b>Appendix III</b>	— <b>Unaudited pro forma financial information</b> . . . . .	31
<b>Appendix IV</b>	— <b>General information</b> . . . . .	39

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Acquisition”	the purchases of a total of 12,736,000 Regal Hotels Shares on the Stock Exchange during the period from 4 January 2014 to 16 May 2014
“Board”	the board of Directors
“Company”	Century City International Holdings Limited, a company incorporated in Bermuda and whose issued Shares are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 120)
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	17 July 2014, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“Paliburg Group”	Paliburg and its subsidiaries
“PRC” or “China” or “Mainland China”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

---

## DEFINITIONS

---

“P&R Holdings”	P&R Holdings Limited, a joint venture established and owned by Capital Merit Investments Limited (a wholly-owned subsidiary of Paliburg) and Regal Hotels Investments Limited (a wholly-owned subsidiary of Regal Hotels) as to 50% and 50% respectively
“P&R Group”	P&R Holdings and its subsidiaries
“Regal Group”	Regal Hotels and its subsidiaries
“Regal Hotels”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal Hotels Share(s)”	ordinary share(s) of par value HK\$0.10 each in the capital of Regal Hotels
“Regal REIT”	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the issued units of which are listed on the Main Board of the Stock Exchange (Stock Code: 1881)
“Repurchase”	the repurchases of a total of 8,948,000 Regal Hotels Shares on the Stock Exchange during the period from 4 January 2014 to 16 May 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

---

## LETTER FROM THE BOARD

---



世紀城市國際控股有限公司  
**Century City**

**International Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 355)

*Executive Directors:*

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)

Mr. Jimmy LO Chun To (*Vice Chairman*)

Miss LO Po Man (*Vice Chairman*)

Mr. Kenneth NG Kwai Kai (*Chief Operating Officer*)

Mr. Donald FAN Tung

Mr. Kelvin LEUNG So Po

*Head office and principal place  
of business in Hong Kong:*

11th Floor

68 Yee Wo Street

Causeway Bay

Hong Kong

*Independent non-executive Directors:*

Mr. Anthony CHUANG

Mr. NG Siu Chan

Mr. WONG Chi Keung

*Registered office:*

26 Burnaby Street

Hamilton HM 11

Bermuda

21 July 2014

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION

### ON-MARKET PURCHASES AND ON-MARKET REPURCHASES OF REGAL HOTELS SHARES

#### INTRODUCTION

Reference is made to the announcement jointly issued by the Company and Paliburg dated 16 May 2014.

Paliburg is a listed subsidiary of the Company. Regal Hotels is a listed subsidiary of the Company and Paliburg. From time to time, the Paliburg Group purchases Regal Hotels Shares on-market and Regal Hotels repurchases Regal Hotels Shares on-market.

During the period from 4 January 2014 to 16 May 2014, the Paliburg Group purchased a total of 12,736,000 Regal Hotels Shares on the Stock Exchange and Regal Hotels repurchased a total of 8,948,000 Regal Hotels Shares on the Stock Exchange. The Acquisition and the Repurchase in aggregate with the previous acquisitions and repurchases of Regal Hotels Shares during the period from 4 July 2013 to 3 January 2014 constitute a major transaction for the Company subject to Shareholders' approval under the Listing Rules. The Acquisition and the Repurchase have been approved by a closely allied group of Shareholders by way of written approval.

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to provide the Shareholders with further information in relation to the Acquisition and the Repurchase for information purposes.

### THE ACQUISITION AND THE REPURCHASE

During the period from 4 January 2014 to 16 May 2014, the Paliburg Group purchased a total of 12,736,000 Regal Hotels Shares on the Stock Exchange at a total consideration of approximately HK\$56.7 million and Regal Hotels repurchased a total of 8,948,000 Regal Hotels Shares on the Stock Exchange at a total consideration of approximately HK\$43.0 million. The Acquisition and the Repurchase were carried out on the Stock Exchange at prices representing the then market prices of the Regal Hotels Shares.

The Acquisition and the Repurchase took place on-market; the Company is not aware of the identities of the related sellers. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the sellers are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### INFORMATION ON REGAL HOTELS

As a result of the Acquisition and the Repurchase, the shareholding interest of the Group in Regal Hotels increased from 59.1% to 61.0%.

Regal Hotels is a listed subsidiary of the Company. Regal Hotels, through its subsidiaries, is principally engaged in hotel ownership (through its 74.6%-owned subsidiary, Regal REIT), hotel operation and management, asset management of Regal REIT, property development and investment, including those undertaken through P&R Holdings (a 50:50 owned joint venture with the Paliburg Group), and other investments including financial assets investments, and aircraft ownership and leasing business.

The table below sets out the profit before and after tax of the Regal Group for the two years ended 31 December 2013 and 2012.

	<b>For the years ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Profit before tax	345.8	633.1
Profit after tax	290.5	585.8

The audited net assets of the Regal Group amounted to approximately HK\$13,111.8 million as at 31 December 2013.

---

## LETTER FROM THE BOARD

---

### REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE REPURCHASE

Apart from the business carried out by the Regal Group (as described above), the Group is principally engaged in property development and investment, construction and building related businesses, and other investments.

The Regal Group has been an important part of the Group. The average purchase price under the Acquisition was approximately HK\$4.45 per Regal Hotels Share while the average repurchase price under the Repurchase was approximately HK\$4.80 per Regal Hotels Share, representing a discount of approximately 64.3% and approximately 61.5% respectively to the net asset value of Regal Hotels attributable to its shareholders of approximately HK\$12.47 per Regal Hotels Share as at 31 December 2013 as set out in the annual report of Regal Hotels for the year ended 31 December 2013 (based on the net asset value of Regal Hotels attributable to its shareholders of approximately HK\$11,774.9 million as at 31 December 2013 and 943,978,333 Regal Hotels Shares as at 31 December 2013 taking into account the Regal Hotels Shares repurchased but pending cancellation as at 31 December 2013). The Company considers that the Acquisition and the Repurchase on-market provides a good opportunity for it to further increase its interest in Regal Hotels at market prices which represented a substantial discount to the net asset value per Regal Hotels Share. The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the Repurchase are fair and reasonable and in the interests of the Company and the Shareholders.

### FINANCIAL EFFECT OF THE ACQUISITION AND THE REPURCHASE

Regal Hotels has been a listed subsidiary of the Company before and after the Acquisition and the Repurchase, and Regal Hotels' financial statements have been consolidated into the consolidated financial statements of the Company. After the Acquisition and the Repurchase, the Group's interest in Regal Hotels increased from 59.1% to 61.0% and the earnings and net assets value of Regal Hotels attributable to the Company will be increased accordingly. As set out in the unaudited pro forma financial information in Appendix III to this circular, on the basis of the consolidated statement of financial position of the Company as at 31 December 2013 and assuming that the Acquisition and the Repurchase had been completed as at 31 December 2013, the Group's net assets attributable to the Shareholders as at 31 December 2013 of approximately HK\$7,924.4 million would be increased to approximately HK\$8,062.1 million. The Paliburg Group and the Regal Group respectively financed the Acquisition and the Repurchase by internal financial resources. Further information on the effects of the Acquisition and the Repurchase on the consolidated statement of financial position of the Group is set out in Appendix III to this circular.

### LISTING RULES IMPLICATIONS

With reference to the joint announcement of the Company and Paliburg dated 9 September 2013 and the announcements of the Company dated 29 November 2013 and 3 January 2014, the Company announced that during the period from 4 July 2013 to 3 January 2014, the Paliburg Group on-market purchased an aggregate of 62,188,000 Regal Hotels Shares and Regal Hotels on-market repurchased

---

## LETTER FROM THE BOARD

---

an aggregate of 21,804,000 Regal Hotels Shares which constituted discloseable transactions for the Company under the Listing Rules. Save as disclosed above, the Paliburg Group did not acquire any Regal Hotels Shares and neither did Regal Hotels repurchase any Regal Hotels Shares in the 12 months prior to 4 January 2014.

The Acquisition and the Repurchase in aggregate with the previous acquisitions and repurchases of Regal Hotels Shares during the period from 4 July 2013 to 3 January 2014 constitute a major transaction for the Company subject to Shareholders' approval under the Listing Rules.

Apart from Mr. LO Yuk Sui's interests in Paliburg and Regal Hotels through his interest in the Company, Mr. LO Yuk Sui directly and indirectly held approximately 12.3% of the issued share capital of Paliburg and directly held approximately 0.003% of the issued share capital of Regal Hotels as at the Latest Practicable Date. Mr. LO Yuk Sui, other than his interests as a Shareholder, did not have material interests in the Acquisition and the Repurchase, and no Shareholders would be required to abstain from voting if a general meeting of the Company were to be convened for the approval of the Acquisition and the Repurchase.

The Acquisition and the Repurchase have been approved by way of written approval in accordance with Rule 14.44 of the Listing Rules by a closely allied group of Shareholders who in aggregate held approximately 58.3% of the issued share capital of the Company as at the Latest Practicable Date. The closely allied group of Shareholders comprises Mr. LO Yuk Sui who directly owned approximately 3.2% of the issued share capital of the Company and the companies wholly or majority owned and controlled by Mr. LO Yuk Sui consisting of (i) Grand Modern Investments Limited which owned approximately 50.8% of the issued share capital of the Company, (ii) Fook Island Limited which owned approximately 0.1% of the issued share capital of the Company, (iii) Master City Limited which owned approximately 1.5% of the issued share capital of the Company, (iv) Shui To Co., Limited which owned approximately 2.1% of the issued share capital of the Company, and (v) YSL International Holdings Limited which owned approximately 0.6% of the issued share capital of the Company as at the Latest Practicable Date.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**LO Yuk Sui**  
*Chairman*



**1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013**

Financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 is disclosed on pages 49 to 140 of the annual report of the Company for the year ended 31 December 2011, pages 47 to 163 of the annual report of the Company for the year ended 31 December 2012 and pages 66 to 185 of the annual report of the Company for the year ended 31 December 2013, which are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.centurycity.com.hk](http://www.centurycity.com.hk)).

**2. INDEBTEDNESS**

As at the close of business on 31 May 2014, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding borrowings of approximately HK\$12,921.6 million which represented (i) bank loans of HK\$8,681.0 million secured by certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances, (ii) unsecured notes of US\$297.0 million (approximately HK\$2,302.6 million) issued under a US\$1,000.0 million medium term note programme of Regal Hotels, and (iii) unsecured notes of HK\$775.0 million and US\$150.0 million (approximately HK\$1,163.0 million) issued under a US\$1,000.0 million medium term note programme of Regal REIT (the "**Regal REIT MTN Programme**").

Apart from the indebtedness under the Regal REIT MTN Programme which was guaranteed by the trustee of Regal REIT (on behalf of Regal REIT) and except for bank loans of HK\$208.7 million, all of the above outstanding borrowings of the Group were guaranteed by certain of the Group's subsidiaries.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 31 May 2014, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance leases commitments, or any guarantees or other material contingent liabilities.

**3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the internal resources, the present banking facilities available to the Group, and the cash consideration for the Acquisition and the Repurchase, the Group has sufficient working capital to satisfy its present requirements, that is for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

## **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group as a whole has over the past years expanded substantially in asset size and business scope through new acquisitions and investments in new businesses. After the completion of the series of corporate restructurings, including the takeover of Cosmopolitan, the roles and business focuses of different members of the Group are now more clearly delineated and strategically positioned to capture growth opportunities. The Group will continue to closely monitor the capital and investment markets for any appropriate opportunities that can facilitate the continuing development of the Group. Further information on the prospects of the member groups is set out below.

### **Paliburg Group**

Apart from the new iclub Sheung Wan Hotel already sold to Regal REIT and the latest development project awarded by the Urban Renewal Authority, Paliburg (through its non-wholly-owned subsidiary P&R Holdings) is undertaking six wholly-owned ongoing property projects in Hong Kong, ranging from residential to hotel and shopping mall developments, and (through its non-wholly-owned subsidiary Cosmopolitan) is developing two large scale mixed use complexes in Chengdu (the “**Chengdu Project**”) and Tianjin (the “**Tianjin Project**”) in the PRC. All these projects are scheduled to be completed over the course of the next few years, with the potential sale or unit presale of certain of the projects planned to be spanned out from the latter part of this year, which are expected to generate for the Paliburg Group as a whole substantial cash flow and profit contribution. Moreover, the Paliburg Group will continue to seek new acquisition opportunities with a view to further expanding its property portfolio in Hong Kong and the PRC.

### **Cosmopolitan Group**

After the then outstanding convertible bonds in an aggregate principal amount of HK\$541.5 million issued by the Cosmopolitan Group were fully converted into new ordinary shares of Cosmopolitan in September 2013, the capital base of Cosmopolitan has been substantially enlarged and strengthened.

The Cosmopolitan Group considers that the gradual consolidation of the real estate sector in the PRC is healthy and beneficial for its stable development. Having regard to the growing affluence and the increasing size of the population, the Cosmopolitan Group is optimistic that the property market in Mainland China in the long term will remain prosperous and will continue to actively seek any investment opportunities that may become available at reasonable and acceptable terms.

Both the Chengdu Project and the Tianjin Project are currently free of any external borrowings and it is anticipated that substantial proceeds will be generated from the presale and/or sale of their component parts over the period of the next two years. Nevertheless, given the planned continuing expansion of its asset portfolio, the Cosmopolitan Group has recently proposed an open offer of new shares, the issue of convertible bonds and the granting of an option to issue optional convertible bonds.

**Regal Group**

The anticipated commissioning date for the Hongkong-Zhuhai-Macao Bridge is scheduled by the end of 2016, which will provide a new land transport link between the east and west coasts of the Pearl River. Moreover, the 26-km long Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link is being constructed to connect Hong Kong with the 16,000-km National High-speed Railway Network and is expected to strengthen Hong Kong's role as the southern gateway to the Mainland. These new infrastructure projects will stimulate further economic growth within the region and bring an increasing number of visitor arrivals to Hong Kong.

The Government of Hong Kong has been taking initiatives to increase Hong Kong's capacity to receive tourists and intends to continue investing in various infrastructural developments and tourism landscapes. These will include the planned expansion of the Hong Kong International Airport into a three-runway system, the Kai Tak Fantasy Project to turn the Kai Tak Development Area, including the Kai Tak International Cruise Terminal, into a recreational landmark, and the continuing expansion projects at Hong Kong Disneyland and the Ocean Park. All these developments will have a significant positive impact in meeting the demands of an increasing number of global and regional visitors to Hong Kong.

The Regal Group is optimistic that the tourism and hotel markets in Hong Kong will continue to grow. As Regal REIT is the only listed hospitality real estate investment trust with market concentration in Hong Kong, the Regal Group is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotel owners in Hong Kong. The iclub Wan Chai Hotel has proven to be a successful business model, which has generated for Regal REIT good investment returns and capital appreciation, and the Regal Group has the same optimistic expectations for the new iclub Sheung Wan Hotel. On 15 May 2014, the trustee of Regal REIT (in its capacity as trustee and on behalf of Regal REIT) conditionally exercised the option granted by P&R Holdings to acquire the new iclub North Point Hotel at an aggregate consideration of HK\$1,650 million. The consideration, which shall be payable in cash at completion, net of the option fee (of HK\$10 million) and the refundable cash collateral (of HK\$990 million) and any accrued and unpaid interest, shall be financed by Regal REIT's bank borrowings. Regal REIT has substantial unutilised financing capabilities that can be used to fund its future expansion programmes and will continue to review yield accretive acquisition opportunities, with a view to achieving enhanced earnings and capital growth.

**I. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE REGAL GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013**

Financial information of the Regal Group for each of the three years ended 31 December 2011, 2012 and 2013 is disclosed on pages 59 to 152 of the annual report of Regal Hotels for the year ended 31 December 2011, pages 67 to 159 of the annual report of Regal Hotels for the year ended 31 December 2012 and pages 76 to 174 of the annual report of Regal Hotels for the year ended 31 December 2013, which are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of Regal Hotels ([www.regal.com.hk](http://www.regal.com.hk)).

**II. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REGAL GROUP****FOR THE YEAR ENDED 31 DECEMBER 2011****Business and financial review**

The Regal Group's significant investments and principal business activities mainly comprised hotel ownership through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including through the joint venture in P&R Holdings and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

For the year ended 31 December 2011, the Regal Group achieved a consolidated profit attributable to shareholders of HK\$107.9 million, as compared to the HK\$6,928.8 million attained in 2010. However, a very significant part of the profit attained in 2010 was related to a one-off accounting gain of HK\$6,637.4 million recognised on the consolidation of Regal REIT as a subsidiary of the Regal Group in July 2010.

**Hotel ownership, operations and management**

During the year ended 31 December 2011, tourist arrivals to Hong Kong hit a historical record of approximately 41.9 million, representing a 16.4% increase over the previous year. Visitors from Mainland China were still the strongest growth segment and accounted for about two-thirds of the total visitors to Hong Kong. The growing affluence of the Chinese visitors have continued to drive market demands on the retail and lodging businesses in Hong Kong.

During the year ended 31 December 2011, the performance of the Regal Group's core hotel operations has improved substantially, with the gross operating profits of the hotel operations of the six Regal hotels in Hong Kong owned by the Regal Group through Regal REIT having increased by about 31% to approximately HK\$852.5 million.

In addition to the six Regal hotels in Hong Kong, the Regal Group also managed hotels in China.

Property development and investment

The Regal Group retained 19 houses in Regalia Bay, Stanley, Hong Kong, apart from the 2 houses contracted to be sold. Three houses were leased out during the year ended 31 December 2011.

P&R Holdings was established in April 2011. Through P&R Group, the Regal Group had been actively expanding its property development business including the following projects.

**Hong Kong***Nos.132-140 Bonham Strand and**Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan*

In May 2011, P&R Holdings acquired two development sites from the Paliburg Group for an aggregate transaction consideration of HK\$752 million. The development site at Nos.132-140 Bonham Strand, with a site area of approximately 5,430 square feet, was planned for the development of a hotel (the “**Sheung Wan Hotel**”). The foundation works were being carried out. The other development site was constituted by two adjoining properties at Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street having an aggregate site area of approximately 3,710 square feet. The general building plans for the development of a hotel had been approved. The foundation works for this site had commenced.

*Nos.14-20 Merlin Street, North Point*

P&R Holdings entered into a sale and purchase agreement with an independent third party vendor in August 2011 for the purchase of the properties at a consideration of HK\$459.3 million. The acquisition was completed in September 2011. The properties have an aggregate site area of approximately 5,300 square feet and the plans for their development into a hotel (the “**North Point Hotel**”) had been approved. Foundation works were in progress.

*Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories*

P&R Holdings acquired a development site at a land premium of HK\$361.0 million through a government public auction held in September 2011. The site has an area of approximately 120,470 square feet. The building plans for a residential development had been submitted to the government for approval.

**Mainland China***Composite development project in Xindu District, Chengdu, Sichuan*

P&R Holdings acquired 70% interest in the Chengdu Project in June 2011 from Faith Crown Holdings Limited (“**Faith Crown**”), the jointly controlled entity that is 50:50 owned by the Regal Group and Cosmopolitan Group. The Regal Group reported gains of over HK\$600 million from the aforesaid transaction.

The Chengdu Project was planned to be a mixed use development consisting of hotel, commercial, office and residential components. Superstructural works for the hotel development and the three residential towers included in the first stage of the development were progressing.

*Regal (Chongqing) Equity Investment Fund, L.P.*

P&R Holdings, through two of its wholly-owned subsidiaries, subscribed for a total amount of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P., in December 2011. The fund was established as a limited partnership and its investment objective was principally to support the businesses undertaken by P&R Holdings in China. A wholly-owned subsidiary of the Company acted as the general partner of the fund and held a very minor interest in the partnership.

Other investments

The Regal Group held a sizable investment portfolio primarily consisting of listed securities. The Regal Group owned within this portfolio a substantial holding of convertible bonds issued by the Cosmopolitan Group and a relatively minor interest in the shares of Cosmopolitan, which were held as long term strategic investments. Due to the weak performance of the stock market in Hong Kong in 2011, the Regal Group recorded losses of approximately HK\$822.8 million on the changes in the fair values of the Regal Group's portfolio of financial assets, including in particular the Regal Group's long-term holdings in the convertible bonds and shares of Cosmopolitan.

**Capital and funding**

*Funding and treasury policy*

The Regal Group adopted a prudent funding and treasury policy with regard to its overall business operations. Cash balances were mostly placed on bank deposits and yield enhancement products were deployed from time to time as the Regal Group's management considered to be appropriate.

During the year ended 31 December 2011, the Regal Group had derivative financial instruments for hedging purposes, the fair value of which amounted to approximately HK\$32 million as at 31 December 2011.

*Cash flow*

During the year ended 31 December 2011, there were net cash flows generated from operating activities of HK\$489.0 million. Net interest paid for the year amounted to HK\$170.1 million.

*Borrowings and gearing*

As at 31 December 2011, the Regal Group had outstanding bank loans of approximately HK\$5,358.2 million as follows:

- bank loans amounting to HK\$4,497.7 million at a floating interest rate of 3-month Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 0.6% per annum with a maturity date in 2012. Interest rate swap arrangements were entered into to hedge against the interest rate exposure for a notional amount of HK\$4,350 million;
- bank loans amounting to HK\$274.6 million at interest rates ranging from 2.15% to 2.3% above HIBOR per annum with maturity dates in 2012-2014; and
- bank loans amounting to HK\$585.9 million at interest rates of HIBOR plus 0.98% to 1.08% per annum, except for a bank loan of HK\$33.0 million which bears interest at a fixed rate of 1.23% per annum, with maturity dates in 2012-2013.

As at 31 December 2011, the Regal Group’s borrowings net of cash and bank balances and deposits amounted to HK\$4,132.2 million.

As at 31 December 2011, the gearing ratio of the Regal Group was 20.8%, representing the Regal Group’s borrowings net of cash and bank balances and deposits of HK\$4,132.2 million as compared to the total assets of the Regal Group of HK\$19,860.8 million.

*Pledge of assets*

As at 31 December 2011, part of the Regal Group’s bank deposits, bank balances, financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investments in the amount of HK\$404.0 million were pledged to secure a bank guarantee procured by the Regal Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT and the Regal Group’s investment properties and certain of the Regal Group’s property, plant and equipment, properties held for sale, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$15,219.6 million were also pledged to secure other banking facilities granted to the Regal Group.

*Capital commitments*

As at 31 December 2011:

- (i) the Regal Group's share of maximum capital commitment to P&R Holdings in respect of its property development projects amounted to HK\$1,900 million, of which HK\$970 million had been contributed as shareholder's loan and HK\$170 million had been provided as a guarantee, on a several basis, for banking facilities granted to a subsidiary of P&R Holdings during the year;
- (ii) the Regal Group's share of P&R Group's own capital commitments in respect of property development projects was HK\$307.1 million (contracted, but not provided for) and HK\$302.2 million (authorised, but not contracted for);
- (iii) the Regal Group had total future minimum lease payments under non-cancellable operating leases falling due within one year of HK\$10.3 million, falling due in the second to fifth years, inclusive of HK\$28.9 million and falling due after five years of HK\$31.8 million; and
- (iv) in addition to the above, the Regal Group had capital commitments in respect of its hotel buildings of HK\$37.3 million (authorised, but not contracted for).

*Contingent liabilities*

As at 31 December 2011, the Regal Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a jointly controlled entity in the amount of HK\$170 million, of which HK\$90 million was utilised.

Save as disclosed above, the Regal Group did not have any contingent liabilities as at 31 December 2011.

*Share capital*

During the year ended 31 December 2011, Regal Hotels repurchased a total of 566,000 Regal Hotels Shares at an aggregate purchase price of HK\$1,788,480 on the Stock Exchange. All the repurchased shares were cancelled during the year ended 31 December 2011.

All of the outstanding 20,000,000 and 14,100,000 share options granted to the eligible persons under "The Regal Hotels International Holdings Limited Share Option Scheme" of Regal Hotels (the "**Share Option Scheme**") on 12 May 2005 and 25 July 2005, which entitled the holders thereof to subscribe for 20,000,000 and 14,100,000 new ordinary shares at the adjusted exercise price of HK\$7.50 per ordinary share (subject to adjustment), lapsed upon the expiry of the exercise periods of the share options on 11 May 2011 and 24 July 2011, respectively.



**Material acquisitions or disposals of subsidiaries or jointly controlled entities**

Saved as disclosed above, there were no other material acquisitions or disposals of subsidiaries, associates or jointly controlled entities of Regal Hotels during the year ended 31 December 2011.

**Staff and remuneration policy**

The Regal Group employed approximately 1,930 staff in Hong Kong. The Regal Group's management considered the overall level of staffing employed and the remuneration cost incurred in connection with the Regal Group's operations to be compatible with market norm.

Remuneration packages were generally structured by reference to market terms and individual merits. Salaries were normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Regal Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, Regal Hotels maintained the Share Option Scheme, under which share options had been granted to selected eligible persons.

**FOR THE YEAR ENDED 31 DECEMBER 2012****Business and financial review**

For the year ended 31 December 2012, the Regal Group achieved a consolidated profit attributable to shareholders of HK\$536.3 million, which was an increase of about 4 times over the HK\$107.9 million attained in 2011.

The gross profit of the Regal Group for the year ended 31 December 2012 amounted to HK\$1,174.3 million (2011: HK\$867.7 million), of which over HK\$1,015.7 million (2011: HK\$856.0 million) were attributable to the gross operating profit and net property income contributed by the core hotel businesses. The operating profit before depreciation and finance costs of the Regal Group for the year amounted to HK\$1,182.3 million (2011: HK\$27.4 million).

**Hotel ownership, operations and management**

In 2012, visitor arrivals to Hong Kong increased by 16.0% year-on-year to a total of over 48.6 million, which was mainly attributable to the strong growth from Mainland China. The Hong Kong Tourism Board intensified its promotional campaigns in provinces beyond Guangdong to open up new visitor sources in other Mainland cities and, in the meantime, was also working to keep the visitors' portfolio diversified by rolling out a series of mega events to enhance Hong Kong's appeal internationally.

The six hotel properties within the Regal Group were owned by Regal REIT, a listed subsidiary of Regal Hotels. Except for the iclub Wan Chai Hotel, the five initial Regal hotels were leased to a wholly-owned subsidiary of Regal Hotels. During the year ended 31 December 2012, the five Regal hotels in Hong Kong leased to the Regal Group achieved steady progress. The combined average occupancy rate for these five hotels was 90.0% and the average room rate increased by 12.0% year-on-year, both of which were above the industry average. Total gross operating profits for these five hotels for the year amounted to approximately HK\$958.0 million, an increase of approximately 16.4% over the comparative amount of HK\$822.7 million attained in 2011.

In addition to the six Regal hotels in Hong Kong, the Regal Group managed seven hotels in China.

#### Property development and investment

The sale of two connected houses in Regalia Bay, Stanley was completed during the year and the profit derived was accounted for in the financial statements for the year ended 31 December 2012. The Regal Group retained 19 houses in Regalia Bay, four of which were leased to third parties.

The Regal Group acquired through a public land auction in October 2012 a plot of development land in Tianjin City in China (the “**Tianjin Land**”) for a consideration of RMB985 million. The land is located in a prime urban district in Tianjin City and has a total site area of 31,726 square meters (341,500 square feet). It was planned that the site will be developed into a commercial, office, hotel and residential complex.

The following property development projects were undertaken by P&R Group.

#### Hong Kong

##### *Nos.132-140 Bonham Strand, Sheung Wan*

The superstructure works for the Sheung Wan Hotel were in progress.

##### *Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan*

There was certain delay in the foundation works for the development of the site.

##### *Nos.14-20 Merlin Street, North Point*

The superstructure works for the North Point Hotel were in progress.

##### *Lot No.4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories*

This development site, acquired through a government public auction, had an area of approximately 11,192 square meters (120,470 square feet) and was planned for a residential development. Site formation and foundation works were in progress.

*Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon*

Prosper Harvest Investments Limited (“**Prosper Harvest**”), a then wholly-owned subsidiary of the Regal Group, entered into a provisional agreement with an independent third party for the acquisition of these properties. On 28 February 2013, the Regal Group transferred its entire equity interests in Prosper Harvest at cost to P&R Holdings for a consideration of approximately HK\$46.5 million, effectively representing the shareholders’ loan then owing by Prosper Harvest to the Regal Group. Subsequently, on that same date, Prosper Harvest entered into a formal sale and purchase agreement for the property acquisition at a consideration of HK\$464.3 million (subject to adjustments), and a total deposit of HK\$46.5 million was paid to the vendor. Completion of this agreement took place in April 2013. Prosper Harvest planned to redevelop these properties into a hotel with a proposed gross floor area of about 6,298 square meters (67,790 square feet) and with not more than 340 hotel rooms as approved by the Town Planning Board.

Mainland China

*Chengdu Project*

P&R Group held 70% interest in this property project and the remaining 30% interest was held by Faith Crown, a jointly controlled entity owned as to 50% each by the Regal Group and the Cosmopolitan Group.

The Chengdu Project is a mixed use development planned to consist of hotel, commercial, office and residential components. The structural frame for the hotel development had been completed and curtain wall construction of the hotel was in progress. The structural frames for the three residential towers included in the first stage of the development had also been completed.

*Regal (Chongqing) Equity Investment Fund, L.P.*

P&R Group continued to hold limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P..

Other investments

The Regal Group held a substantial portfolio of listed securities and other investments, including two series of convertible bonds in Cosmopolitan with an aggregate principal amount of HK\$241.5 million and maturity dates of 30 September 2013 (as extended). In addition to the convertible bonds, the Regal Group also held a relatively minor shareholding in Cosmopolitan.

With a view to diversifying the scope of the investment portfolio, the Regal Group purchased in December 2012 for investment purpose an Airbus A321-211 aircraft manufactured in 1998 for a consideration of US\$10.5 million. The aircraft was under the management of a professional investment adviser and a professional aircraft asset manager and was leased to an airline operator for lease income.

**Capital resources and funding***Funding and treasury policy*

The Regal Group adopted a prudent funding and treasury policy with regard to its overall business operations. Cash balances were mostly placed on bank deposits and yield enhancement products were deployed when circumstances were considered to be appropriate.

The Regal Group's banking facilities were mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates while its senior unsecured notes issued during the year ended 31 December 2012 were denominated in US dollar with a fixed coupon rate. The use of hedging instruments for interest rate purposes to cater to business and operational needs was kept under review by the Regal Group's management from time to time. As the US dollars was pegged to the Hong Kong dollars, the exchange risks were considered to be insignificant and no currency hedging was deployed. During the year ended 31 December 2012, the Regal Group had derivative financial instruments for hedging purposes, the fair value of which amounted to approximately HK\$2.8 million (2011: HK\$32 million).

*Cash flow*

During the year ended 31 December 2012, there were net cash flows generated from operating activities of HK\$423.3 million (2011: HK\$489.0 million). Net interest paid for the year amounted to HK\$126.3 million (2011: HK\$170.1 million).

*Borrowings and gearing*

As at 31 December 2012, the Regal Group had outstanding bank loans of approximately HK\$4,857.6 million as follows:

- bank loans amounting to HK\$4,451.5 million at a floating interest rate of HIBOR plus 2.1% per annum with a maturity date in 2015. Interest rate swap arrangements were entered into to hedge against the interest rate exposure for a notional amount of HK\$3,000 million;
- a bank loan amounting to HK\$329.4 million at an interest rate of HIBOR plus 2.6% per annum with maturity dates in 2013-2015; and
- a bank loan amounting to HK\$76.7 million at an interest rate of HIBOR plus 0.98% per annum with maturity date in 2013.

In addition, with a view to raising additional funds to finance its expansion plans, the Regal Group established in October 2012 a US\$1 billion medium term note programme and had in the same month issued one series of senior unsecured 5-year term notes for a total nominal principal amount of US\$300 million at a coupon interest rate of 4.25% per annum.

As at 31 December 2012, the Regal Group's borrowings net of cash and bank balances and deposits amounted to HK\$4,420.5 million (2011: HK\$4,132.2 million).

As at 31 December 2012, the gearing ratio of the Regal Group was 20.3% (2011: 20.8%), representing the Regal Group's borrowings net of cash and bank balances and deposits of HK\$4,420.5 million (2011: HK\$4,132.2 million) as compared to the total assets of the Regal Group of HK\$21,795.9 million (2011: HK\$19,860.8 million).

#### *Pledge of assets*

As at 31 December 2012, part of the Regal Group's bank deposits, bank balances, financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investments in the amount of HK\$380 million (2011: HK\$404.0 million) were pledged to secure a bank guarantee procured by the Regal Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Regal Group's property, plant and equipment, investment properties, properties held for sale and held-to-maturity investments in the total amount of HK\$14,444.9 million (2011: HK\$15,219.6 million) were also pledged to secure other banking facilities granted to the Regal Group.

#### *Capital commitments*

As at 31 December 2012:

- (i) the Regal Group's share of maximum capital commitment to P&R Holdings in respect of its property development projects amounted to HK\$1,900 million (2011: HK\$1,900 million), of which HK\$961.3 million (2011: HK\$970 million) had been contributed as shareholder's loan and HK\$577.3 million (2011: HK\$170 million) had been provided as guarantees, each on a several basis, for banking facilities granted to certain subsidiaries of P&R Holdings during the year;
- (ii) the Regal Group's share of P&R Group's own capital commitments in respect of property development projects was HK\$470.8 million (2011: HK\$307.1 million) (contracted, but not provided for) and HK\$294.6 million (2011: HK\$302.2 million) (authorised, but not contracted for);
- (iii) the Regal Group had total future minimum lease payments under non-cancellable operating leases falling due within one year of HK\$10.6 million (2011: HK\$10.3 million), falling due in the second to fifth years, inclusive of HK\$27.2 million (2011: HK\$28.9 million) and falling due after five years of HK\$25.6 million (2011: HK\$31.8 million); and
- (iv) in addition to the above, the Regal Group had capital commitments in respect of its hotel buildings (authorised, but not contracted for) of HK\$40 million (2011: HK\$37.3 million) and in respect of land (contracted, but not provided for) of HK\$674.9 million (2011: Nil).

*Contingent liabilities*

As at 31 December 2012, the Regal Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a jointly controlled entity in the amount of HK\$577.3 million (2011: HK\$170 million), of which HK\$317.3 million (2011: HK\$90 million) was utilised.

Save as disclosed above, the Regal Group did not have any contingent liabilities as at 31 December 2012.

*Share capital*

In April 2012, Regal Hotels announced a share repurchase programme for the repurchase of up to 38,886,400 Regal Hotels Shares at a maximum price of HK\$3.80 per share with the objective of enhancing the net asset value as well as the earnings per share of Regal Hotels. Up to the date when the share repurchase programme ended on 21 July 2012, Regal Hotels had repurchased a total of 37,344,000 Regal Hotels Shares and had utilised total funds of approximately HK\$115.3 million.

**Material acquisitions or disposals of subsidiaries or associates**

During the year ended 31 December 2012, there were no material acquisitions or disposals of subsidiaries or associates of Regal Hotels.

**Staff and remuneration policy**

The Regal Group employed approximately 1,870 (2011: 1,930) staff in Hong Kong. The Regal Group's management considered the overall level of staffing employed and the remuneration cost incurred in connection with the Regal Group's operations to be compatible with market norm.

Remuneration packages were generally structured by reference to market terms and individual merits. Salaries were normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Regal Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, Regal Hotels maintained the Share Option Scheme, under which share options had been granted to selected eligible persons.

**FOR THE YEAR ENDED 31 DECEMBER 2013****Business and financial review**

For the year ended 31 December 2013, the Regal Group achieved a consolidated profit attributable to shareholders of HK\$256.9 million, as compared to the profit of HK\$536.3 million attained in 2012.

The profit achieved for 2013 was comparatively lower than that of last year primarily due to the fact that for 2012, there were a one-off gain on realisation of hedge reserve as well as the gain from the disposal of two houses in Regalia Bay, while for the year ended 31 December 2013, there were increased finance costs on the medium term notes issued by Regal REIT and Regal Hotels to finance business expansions.

Business operations of the Regal Group had overall maintained steady performance. The operating profit before depreciation and finance costs of the Regal Group for the year ended 31 December 2013 amounted to HK\$1,058.3 million, as compared to HK\$1,182.3 million for the preceding year.

#### Hotel ownership, operations and management

In 2013, visitor arrivals to Hong Kong surged by 11.7% year-on-year to a total of over 54 million, fuelled mainly by the strong growth of visitors from Mainland China, but more than half of the arrivals were same day visitors which had little impact on the hotel sector. Based on a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories for 2013 was 89%, which was the same level as that in 2012, while the industry-wide average achieved room rate experienced a slight downward adjustment of 2.8%.

Apart from the five Regal hotels which were owned by Regal REIT and leased to a wholly-owned subsidiary of Regal Hotels, Regal REIT owned and self-operated the iclub Wan Chai Hotel. The iclub Wan Chai Hotel continued to enjoy strong demand during the year ended 31 December 2013, with the occupancy rate reaching to almost 100% from 97.4% in the previous year. However, due to price competition from some new hotels, the average room rate had reduced by 7.4% year-on-year.

In 2013, over 510 hotel guestrooms and suites within Regal REIT's portfolio were renovated under the regular capital expenditure programmes to maintain the high competitive standards of the room inventory. The second phase of the conversion works at the Regal Oriental Hotel to add another 28 rooms on the 2nd floor had been completed and the hotel room count increased to 494 rooms. As at 31 December 2013, the total room inventory of the six operating hotels owned by Regal REIT boosted an aggregate of 3,984 guestrooms and suites.

During the year ended 31 December 2013, Regal REIT acquired the Sheung Wan Hotel at a consideration of HK\$1,580 million from P&R Holdings. The occupation permit for the property was issued in January 2014. The acquisition of the Sheung Wan Hotel had added another 248 guestrooms and suites to the hotel portfolio of Regal REIT. The hotel is named as the "iclub Sheung Wan Hotel" under the "iclub by Regal" brand, and operated as an upscale select-service hotel modelled on the successful operations of the iclub Wan Chai Hotel.

Simultaneously with the execution of the share purchase agreement for the acquisition of iclub Sheung Wan Hotel, Regal REIT also entered into an option agreement with P&R Holdings in June 2013, pursuant to which an option was granted to Regal REIT to acquire the North Point Hotel which was under development. The construction works on the North Point Hotel had been completed. Subsequent to the financial year end, the occupation permit has been granted and Regal REIT has conditionally exercised the option.

The five Regal hotels in Hong Kong owned by Regal REIT were leased to and operated by a wholly-owned subsidiary of the Regal Group. The combined average occupancy rate for these five hotels for the year ended 31 December 2013 was 90.2%, which was slightly above the level in 2012 and while the average room rate was down by 1.0% year-on-year, nonetheless this performance was better than the industry average. The total net property income generated by the five hotels for 2013 amounted to HK\$881.0 million.

In addition to all the Regal hotels in Hong Kong, the Regal Group managed five operating hotels in the PRC, four of which were situated in Shanghai.

#### Property development and investment

Affected by the heavy tax levies imposed by the Government of Hong Kong on property transactions in Hong Kong, the real estate sector in Hong Kong during the year ended 31 December 2013 has remained stagnant, particularly in the secondary market, with property prices having generally adjusted downwards.

Below were properties projects undertaken by P&R Group (including those held by the Cosmopolitan Group) during the year:

#### Hong Kong

Apart from the contract for the Shun Ning Road project in Sham Shui Po, Kowloon (as detailed below), all the other development projects currently undertaken by P&R Group in Hong Kong are wholly owned by P&R Group.

#### *Nos.14-20 Merlin Street, North Point*

This development project has an aggregate site area of approximately 457 square metres (4,915 square feet) and was being developed into the North Point Hotel consisting of about 338 guestrooms with total gross floor area of approximately 6,849 square metres (73,721 square feet) and covered floor area of approximately 9,393 square metres (101,105 square feet). The construction works on this new hotel had been completed. Subsequent to the financial year end, the occupation permit has been obtained and Regal REIT has conditionally exercised the option to acquire the hotel.

#### *Lot No.4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories*

This development project has a site area of approximately 11,192 square metres (120,470 square feet) and was planned for a residential development with a total of 170 units, comprising 36 garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The superstructure works for this project had been commenced.



*Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan*

The properties have an aggregate site area of approximately 345 square metres (3,710 square feet) and were planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet). The foundation works for this project have been completed.

*Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon*

The acquisition of the subject properties was completed in April 2013. The properties have an aggregate site area of approximately 700 square metres (7,535 square feet). The plans for the development of the properties into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet), had been formally approved by the Town Planning Board. The building plans for the development had also been approved and the foundation works were progressing.

*Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories*

This development site, acquired through a government tender held in June 2013, has a site area of 5,090 square metres (54,788 square feet) and a maximum gross floor area of 15,270 square metres (164,364 square feet). The project was planned to be developed into a shopping mall and the planning works for the development were in progress.

*Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories*

This development site was acquired through a government tender held in September 2013. The land has a site area of 17,476 square metres (188,100 square feet). The project was planned for a residential development comprising 7 mid-rise apartment blocks with about 136 units and 21 luxury houses, having aggregate gross floor area of approximately 32,470 square metres (349,500 square feet). The building plans for the development had been submitted to the government authorities for approval.

*Shun Ning Road project, Sham Shui Po*

Subsequent to 31 December 2013, a wholly-owned subsidiary of P&R Holdings won a contract from the Urban Renewal Authority of Hong Kong (the “URA”) for the residential-cum-commercial development of the Shun Ning Road project in Sham Shui Po, Kowloon by tender. The project has a site area of approximately 825 square metres and the development was expected to have total residential gross floor area of approximately 5,960 square metres and total commercial gross floor area of approximately 1,200 square metres. This cooperation with the URA had opened up for P&R Holdings a new avenue for the undertaking of property developments in Hong Kong.

Mainland China

*Regal (Chongqing) Equity Investment Fund, L.P.*

P&R Group also continued to hold a limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P., which was established principally to support the businesses undertaken by P&R Group in China. A wholly-owned subsidiary of the Company acted as the general partner of the fund and held a very minor interest in the partnership.

Cosmopolitan

In September 2013, the 70% interest in the Chengdu Project previously held by P&R Group and the remaining 30% interest in such project previously held by Faith Crown (the joint venture owned as to 50% each by the Regal Group and the Cosmopolitan Group) were sold to the Cosmopolitan Group. In addition, the Tianjin Land previously held by the Regal Group was also sold to the Cosmopolitan Group in September 2013.

During the year ended 31 December 2013, the P&R Group acquired from the Paliburg Group and the Regal Group the issued ordinary shares of Cosmopolitan and the convertible bonds of the Cosmopolitan Group held by the Paliburg Group and the Regal Group. The P&R Group further acquired additional ordinary shares of Cosmopolitan from a third party, converted the convertible bonds of the Cosmopolitan Group held by it into ordinary shares of Cosmopolitan and made an unconditional mandatory general cash offer under Rule 26.1 of the Code on Takeovers and Mergers for the issued ordinary shares of Cosmopolitan. As a result, P&R Holdings' shareholding interest in Cosmopolitan increased to over 50% and, Cosmopolitan Group became a listed subsidiary group of P&R Holdings. The following property development projects, including, among others, the Chengdu Project and the project on the Tianjin Land were undertaken by the Cosmopolitan Group:

*Chengdu Project*

The Chengdu Project became 100% owned by the Cosmopolitan Group. The project involved a mixed use development project located in Xindu District in Chengdu, Sichuan Province, consisting of hotel, commercial, office, service apartments and residential components with an overall total gross floor area of approximately 497,000 square metres, which was being developed in stages. The first stage of the development included a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 apartment units with car parking spaces and ancillary commercial accommodation.

*Tianjin Project*

The Tianjin Project entailed a development site located in a prime district in Tianjin City with a total site area of about 31,700 square metres. The development was planned to include commercial, office, hotel and residential components with total gross floor area of about 145,000 square metres. The site formation and foundation works for the project had already commenced.

*Xinjiang Project*

Cosmopolitan, through its wholly-owned subsidiary, is engaged in a re-forestation and land grant project (the “**Xinjiang Project**”) for a land parcel with a site area of about 7,600 mu (equivalent to approximately 5,067,000 square metres) in accordance with the relevant laws and policies in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC. The Cosmopolitan Group has re-forested an aggregate area of about 4,300 mu (equivalent to approximately 2,867,000 square metres) within the project site and in accordance with the relevant government policies of Urumqi City, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities are already in progress. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded within 2014. Should the Cosmopolitan Group successfully secure the development land and depending on the permitted land use, the Cosmopolitan Group preliminarily plans to develop in stages on the land a large scale mixed use complex comprising residential, hotel, recreational and commercial properties. Cosmopolitan has recently applied for increase of US\$10 million in the registered capital of the wholly-owned subsidiary engaged in the Xinjiang Project and has obtained the approval from the relevant government authorities.

*Wuxi Project*

In October 2013, the Cosmopolitan Group entered into a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People’s Government and Wuxi Metro Xizhang Area Commission for the possible acquisition and development of a parcel of land of about 937 mu (equivalent to approximately 624,270 square metres) located in Huishan District, Wuxi City, Jiangsu Province, PRC. The Co-operation Agreement for the Wuxi Project is subject to certain terms to be agreed by the parties within six months of the date of the agreement. As at the Latest Practicable Date, the Cosmopolitan Group has not reached agreement in respect of certain terms with Wuxi Huishan District People’s Government and Wuxi Metro Xizhang Area Commission. The Cosmopolitan Group intends to seek extension of such period to finalise and agree on such terms pursuant to the Co-operation Agreement.

*Beijing Tongzhou Project*

On 26 February 2014, the Cosmopolitan Group, through its wholly-owned subsidiary incorporated in Beijing, the PRC (the “**BJ WFOE**”), entered into a co-operation agreement with an independent third party in respect of the investment in an investee company involved in a resettlement housing project in Tongzhou District, Beijing, the PRC (the “**Tongzhou Project**”). Under the co-operation agreement for the Tongzhou Project, the investee company will be 82.5% owned by the Cosmopolitan Group and the remaining 17.5% by that third party and the aggregate capital commitments of the Cosmopolitan Group will amount to RMB297,000,000. The capital contribution by the Cosmopolitan Group is subject to certain prescribed conditions under the co-operation agreement being fulfilled.

The investee company is a limited liability company incorporated in the PRC for investing in a primary land development project confirmed by the PRC government and entrusted to the investee company through the Beijing Land Reserve Centre. The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. The total site area planned to be developed under the project is approximately 181,000 square metres and the planned above-ground construction area is approximately 412,000 square metres.

The Cosmopolitan Group's investment in the Tongzhou Project is expected to generate returns on satisfactory terms, which will have support from the PRC government. Moreover, the undertaking of the project is also expected to strengthen the Cosmopolitan Group's experience in the management of primary land development projects and foster its relationship with the PRC government authorities in furtherance of its future strategic business development in the PRC.

The Cosmopolitan Group has recently applied for increase of approximately RMB200 million in the registered capital of the BJ WFOE with a view to strengthening and capitalising the BJ WFOE for potential investment in other property development and investment projects in the PRC. In the meantime, the BJ WFOE is negotiating a supplemental agreement with the aforesaid independent third party to further agree on the timing and conditions for the BJ WFOE to complete the aforesaid subscription of equity interest under the aforesaid co-operation agreement.

The Regal Group still retained 19 houses in Regalia Bay, Stanley, four of which were under lease to independent third parties.

#### Other investments

The Regal Group maintained a substantial portfolio of investments comprising listed financial assets and other investments, including investment funds, bonds, as well as treasury and yield enhancement investment products denominated in Renminbi.

The Regal Group owns two aircraft under its aircraft ownership and leasing business, which were undertaken with a view to generating for the Regal Group an alternative source of steady recurring income. The first aircraft is an Airbus A321-211 acquired in December 2012, which is wholly owned, and the second aircraft is an Airbus A321-200, which was acquired in July 2013 through an 85% owned subsidiary of the Regal Group. Both aircraft are managed by a professional asset manager and have been leased to two separate airline operators, for a term of 72 months and 60 months, respectively, at satisfactory rental levels.

The Regal Group had a 36% effective interest in 8D Matrix Limited, an associate of the Regal Group, which wholly owns Century Innovative Technology Limited and 深圳市世紀創意科技有限公司 (collectively, Century Innovative Technology). The other shareholding interests in 8D Matrix Limited are effectively held as to 52% by Mr. LO Yuk Sui (the chairman and controlling shareholder of the Company) and the remaining 12% by the Company. Century Innovative Technology is principally engaged in the online education, entertainment and technology businesses based on the "Bodhi and Friends" characters with business operations mainly based in Shenzhen, the PRC. Century

Innovative Technology has produced a 3D animated television series which are broadcasted primetime on CCTV (China's leading national television network), the major children channels of all key satellite TV stations as well as 7 major video streaming portals and also to be broadcasted on 70 other channels in the PRC. Its initial portfolio of products includes online learning platform, featuring 3D English learning courseware and educational APPs, mobile games and community games, and educational toys. Century Innovative Technology is positioned as one of the leading online communities in the PRC that integrates entertainment, education, assessment, e-commerce and communication.

### Capital resources and funding

#### *Funding and treasury policy*

The Regal Group adopted a prudent funding and treasury policy with regard to its overall business operations. Cash balances were mostly placed on bank deposits, and treasury and yield enhancement products were deployed when circumstances were considered to be appropriate.

The Regal Group's banking facilities were mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates while its senior unsecured notes were denominated in US dollar and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs was kept under review by the Regal Group's management from time to time. As the US dollars was pegged to the Hong Kong dollars, the exchange risks were considered to be insignificant and no currency hedging was deployed. During the year ended 31 December 2013, the Regal Group had derivative financial instruments for hedging purposes, the fair value of which amounted to approximately HK\$4.1 million (2012: HK\$2.8 million).

#### *Cash Flow*

During the year ended 31 December 2013, there were net cash flows used in operating activities of HK\$1,647.0 million (2012: net cash flows generated from operating activities of HK\$423.3 million). Net interest payment for the year amounted to HK\$204.1 million (2012: HK\$126.3 million).

#### *Borrowings and gearing*

As at 31 December 2013, the Regal Group had outstanding bank loans of approximately HK\$5,505.4 million as follows:

- term loan amounting to HK\$4,442.8 million and a revolving loan of HK\$150.0 million at a floating interest rate of HIBOR plus 1.62% per annum with maturity dates in 2014-2018;
- a bank loan amounting to HK\$324.6 million at an interest rate of HIBOR plus 2.6% per annum with maturity dates in 2014-2015; and

- bank loans amounting to HK\$588.0 million at an interest rate of HIBOR plus 1.5% per annum, except for a bank loan of HK\$170.8 million which bears interest at the bank's cost of fund plus 0.75% per annum, with maturity dates in 2014-2016.

In addition, in October 2012 the Regal Group established a US\$1 billion medium term note programme and issued one series of senior unsecured 5-year term notes for a total nominal principal amount of US\$300 million at a coupon interest rate of 4.25% per annum and such notes remained outstanding as at 31 December 2013. In 2013, the Regal Group established another US\$1 billion medium term note programme and (i) in March 2013 issued a series of Hong Kong dollar denominated senior unsecured 5-year term notes in the aggregate nominal principal amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum; and (ii) in May 2013 issued a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$150.0 million at a coupon interest rate of 4.10% per annum.

As at 31 December 2013, the Regal Group's borrowings net of cash and bank balances and deposits amounted to HK\$7,942.4 million (2012: HK\$4,420.5 million).

As at 31 December 2013, the gearing ratio of the Regal Group was 32.6% (2012: 20.3%), representing the Regal Group's borrowings net of cash and bank balances and deposits of HK\$7,942.4 million (2012: HK\$4,420.5 million) as compared to the total assets of the Regal Group of HK\$24,333.8 million (2012: HK\$21,795.9 million).

#### *Pledge of assets*

As at 31 December 2013, part of the Regal Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$428.5 million (2012: HK\$380 million) were pledged to secure a bank guarantee procured by the Regal Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Regal Group's property, plant and equipment, investment properties, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$9,500.6 million (2012: HK\$14,444.9 million) were also pledged to secure other banking facilities granted to the Regal Group.

#### *Capital commitments*

As at 31 December 2013:

- (i) the Regal Group's share of maximum capital commitment to P&R Holdings in respect of its property development projects amounted to HK\$1,900 million (2012: HK\$1,900 million) (the "**P&R Capital Commitment**"). At 31 December 2013, shareholder's loans in an aggregate amount of HK\$751.6 million (2012: HK\$961.3 million) had been contributed, of which HK\$315.9 million (2012: HK\$961.3 million) had been provided under the P&R Capital Commitment, and HK\$1,224.0 million (2012: HK\$577.3 million) had been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries of P&R Holdings during the year, of which HK\$942.3 million (2012: HK\$577.3 million) had been provided under the P&R Capital Commitment;

- (ii) the Regal Group's share of P&R Group's own capital commitments in respect of property development projects was HK\$650.6 million (2012: HK\$470.8 million) (contracted, but not provided for) and HK\$1,189.6 million (2012: HK\$294.6 million) (authorised, but not contracted for);
- (iii) the Regal Group had total future minimum lease payments under non-cancellable operating leases falling due within one year of HK\$12.7 million (2012: HK\$10.6 million), falling due in the second to fifth years, inclusive of HK\$32.7 million (2012: HK\$27.2 million) and falling due after five years of HK\$23.1 million (2012: HK\$25.6 million); and
- (iv) in addition to the above, the Regal Group had capital commitments in respect of its hotel buildings (authorised, but not contracted for) of HK\$37.6 million (2012: HK\$40.0 million). At 31 December 2012, the Regal Group had capital commitments in respect of land (contracted, but not provided for) of HK\$674.9 million which were nil as at 31 December 2013.

#### *Contingent liabilities*

As at 31 December 2013, the Regal Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a joint venture in the amount of HK\$1,224.0 million (2012: HK\$577.3 million), of which HK\$807.0 million (2012: HK\$317.3 million) was utilised.

Save as disclosed above, the Regal Group did not have any contingent liabilities as at 31 December 2013.

#### *Share capital*

During the year ended 31 December 2013, Regal Hotels repurchased a total of 20,096,000 Regal Hotels Shares at an aggregate purchase price of HK\$94,492,720 on the Stock Exchange. Except for 12,986,000 repurchased ordinary shares which were cancelled subsequent to 31 December 2013, all other repurchased ordinary shares were cancelled during the year ended 31 December 2013.

Subsequent to 31 December 2013 and up to the Latest Practicable Date, Regal Hotels further repurchased a total of 18,196,000 Regal Hotels Shares at an aggregate purchase price of HK\$87,372,280 on the Stock Exchange. Except for 2,758,000 repurchased ordinary shares not yet cancelled, all other repurchased ordinary shares, together with the abovementioned 12,986,000 ordinary shares repurchased but not cancelled during the year ended 31 December 2013, have been cancelled as of the Latest Practicable Date.

#### **Material acquisitions or disposals of subsidiaries or associates**

Saved as disclosed above, there were no material acquisitions or disposal of subsidiaries or associates during the year ended 31 December 2013.

**Staff and remuneration policy**

The Regal Group employed approximately 2,050 (2012: 1,870) staff in Hong Kong. The Regal Group's management considered the overall level of staffing employed and the remuneration cost incurred in connection with the Regal Group's operations to be compatible with market norm.

Remuneration packages were generally structured by reference to market terms and individual merits. Salaries were normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Regal Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, Regal Hotels maintained the Share Option Scheme, under which share options had been granted to selected eligible persons.

Further details in relation to the performance and financial results of the Regal Group for the years ended 31 December 2011, 2012 and 2013 were set out in the 2011, 2012 and 2013 annual reports of Regal Hotels.



**1. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP AFTER TAKING INTO ACCOUNT THE ACQUISITION AND THE REPURCHASE****Introduction**

The following unaudited pro forma consolidated statement of financial position of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared on the basis of the notes set out below for the purposes of illustrating the effects on the financial position of the Group as if the Acquisition and Repurchase had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Group as at 31 December 2013 has been prepared based on (i) the audited consolidated financial statements of the Company as set out in its published annual report for the year ended 31 December 2013; and (ii) the pro forma adjustments prepared to reflect the effects of the Acquisition and Repurchase and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of the Company as set out in its published annual report for the year ended 31 December 2013, and other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Acquisition and Repurchase been completed as at 31 December 2013 or any future date.

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2013

	The Group as at 31 December 2013	Pro forma adjustments				Pro forma Group
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>		
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	19,459.0	—	—	—		19,459.0
Investment properties	1,715.4	—	—	—		1,715.4
Properties under development	1,308.6	—	—	—		1,308.6
Investments in associates	32.8	—	—	—		32.8
Regal Hotels Shares	—	—	56.7	(56.7)(a)		—
Available-for-sale investments	38.1	—	—	—		38.1
Financial assets at fair value through profit or loss	10.2	—	—	—		10.2
Loans receivable	8.4	—	—	—		8.4
Deposits and prepayments	64.8	—	—	—		64.8
Trademark	610.2	—	—	—		610.2
Goodwill	261.0	—	—	—		261.0
Other assets	0.2	—	—	—		0.2
Total non-current assets	<u>23,508.7</u>	<u>—</u>	<u>56.7</u>	<u>(56.7)</u>		<u>23,508.7</u>
<b>CURRENT ASSETS</b>						
Properties under development	5,750.4	—	—	—		5,750.4
Properties held for sale	1,513.3	—	—	—		1,513.3
Inventories	56.5	—	—	—		56.5
Debtors, deposits and prepayments	438.3	—	—	—		438.3
Loans receivable	6.7	—	—	—		6.7
Held-to-maturity investments	235.7	—	—	—		235.7
Financial assets at fair value through profit or loss	861.7	—	—	—		861.7
Derivative financial instruments	22.0	—	—	—		22.0
Tax recoverable	2.2	—	—	—		2.2
Restricted cash	51.9	—	—	—		51.9
Pledged time deposits and bank balances	433.2	—	—	—		433.2
Time deposits	1,213.6	—	—	—		1,213.6
Cash and bank balances	<u>1,322.2</u>	<u>(43.0)(a)</u>	<u>(56.7)</u>	<u>—</u>		<u>1,222.5</u>
Total current assets	<u>11,907.7</u>	<u>(43.0)</u>	<u>(56.7)</u>	<u>—</u>		<u>11,808.0</u>

	The Group as at 31 December 2013				Pro forma Group HK\$'million
	(Note 1)	Pro forma adjustments			
		(Note 2)	(Note 3)	(Note 4)	
HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	
<b>CURRENT LIABILITIES</b>					
Creditors and accruals	(523.8)	—	—	—	(523.8)
Deposits received	(27.0)	—	—	—	(27.0)
Interest bearing bank borrowings	(1,624.0)	—	—	—	(1,624.0)
Tax payable	(108.7)	—	—	—	(108.7)
Total current liabilities	<u>(2,283.5)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,283.5)</u>
<b>NET CURRENT ASSETS</b>	<u>9,624.2</u>	<u>(43.0)</u>	<u>(56.7)</u>	<u>—</u>	<u>9,524.5</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>33,132.9</u>	<u>(43.0)</u>	<u>—</u>	<u>(56.7)</u>	<u>33,033.2</u>
<b>NON-CURRENT LIABILITIES</b>					
Creditor and deposits received	(45.0)	—	—	—	(45.0)
Interest bearing bank borrowings	(5,599.8)	—	—	—	(5,599.8)
Other borrowings	(4,200.5)	—	—	—	(4,200.5)
Derivative financial instruments	(4.1)	—	—	—	(4.1)
Deferred tax liabilities	(2,322.4)	—	—	—	(2,322.4)
Total non-current liabilities	<u>(12,171.8)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(12,171.8)</u>
Net assets	<u>20,961.1</u>	<u>(43.0)</u>	<u>—</u>	<u>(56.7)</u>	<u>20,861.4</u>
<b>EQUITY</b>					
Equity attributable to equity holders of the parent					
Issued capital	321.0	—	—	—	321.0
Reserves	7,539.2	39.1(b)	—	98.6(b)	7,676.9
Proposed final dividend	64.2	—	—	—	64.2
	<u>7,924.4</u>	<u>39.1</u>	<u>—</u>	<u>98.6</u>	<u>8,062.1</u>
Non-controlling interests	13,036.7	(82.1)(c)	—	(155.3)(c)	12,799.3
Total equity	<u>20,961.1</u>	<u>(43.0)</u>	<u>—</u>	<u>(56.7)</u>	<u>20,861.4</u>

*Notes:*

- (1) The balances have been extracted from the audited consolidated statement of financial position of the Company as at 31 December 2013 as set out in its published annual report for the year ended 31 December 2013.
- (2) The following adjustments represent:
- (a) the total cash consideration of approximately HK\$43.0 million paid by the Regal Group for the Repurchase.

- (b) the increase in the Company's reserve as a result of the Repurchase as illustrated below:

*HK\$' million*

Increase in the Paliburg Group's share in the equity of Regal Hotels (as illustrated in note 2(c) below)	<u>62.9</u>
62.2% attributable to the Company	<u>39.1</u>

- (c) the net effect of the increase in the non-controlling shareholders' share in the Paliburg Group's reserve of HK\$23.8 million (i.e. HK\$62.9 million - HK\$39.1 million as shown in note 2(b) above) and the decrease in the non-controlling shareholders' share in the equity of Regal Hotels of HK\$105.9 million as a result of the Repurchase as illustrated below:

	Equity of Regal Hotels of HK\$11,774.9 million (after consolidation adjustments of Change in equity of Regal Hotels <i>HK\$' million</i>	Paliburg Group's shareholding in Regal Hotels	Paliburg Group's share in the equity of Regal Hotels	Increase in Paliburg Group's share in the equity of Regal Hotels	Non-controlling shareholders' share in the equity of Regal Hotels	Decrease in non-controlling shareholders' share in the equity of Regal Hotels
	<i>HK\$' million</i>		<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
At 31 December 2013	16,062.6	58.163%	9,342.5		6,720.1	
After the Repurchase	(43.0) 16,019.6	58.712%	9,405.4	<u>62.9</u>	6,614.2	<u>(105.9)</u>

- (3) The adjustments represent the total cash consideration of approximately HK\$56.7 million paid by the Paliburg Group for the Acquisition and the recognition of the Regal Hotels Shares as a non-current asset by the Paliburg Group at the same amount assuming the cash consideration represents the fair value of the Regal Hotels Shares at initial recognition and at 31 December 2013.

- (4) The following adjustments represent:

- (a) the intragroup elimination of the Regal Hotels Shares purchased by the Paliburg Group during the period from 4 January 2014 to 16 May 2014.
- (b) the excess of the increase in the share of the equity of Regal Hotels and the fair value of the Regal Hotels Shares attributable to the Company as a result of the Acquisition as illustrated below:

*HK\$' million*

Increase in the Paliburg Group's share in the equity of Regal Hotels (as illustrated in note 4(c) below)	215.3
Less : Fair value of the Regal Hotels Shares	<u>(56.7)</u>
	<u>158.6</u>
62.2% attributable to the Company	<u>98.6</u>

- (c) the net effect of the increase in the non-controlling shareholders' share in the Paliburg Group's reserve of HK\$60.0 million (i.e. HK\$158.6 million - HK\$98.6 million as shown in note 4(b) above) and the decrease in the non-controlling shareholders' share in the equity of Regal Hotels of HK\$215.3 million as a result of the Acquisition as illustrated below:

				Increase in Non-controlling	Decrease in non-controlling
	Paliburg	Paliburg	Paliburg	shareholders'	shareholders'
	Group's	Group's share	Group's share	share in the	share in the
	Equity of	in the equity of	in the equity of	equity of Regal	equity of Regal
	Regal Hotels	Regal Hotels	Regal Hotels	Hotels	Hotels
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
After the Repurchase	16,019.6	58.712%	9,405.4		6,614.2
After the Acquisition	16,019.6	60.056%	9,620.7	<u>215.3</u>	<u>(215.3)</u>

## 2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, in respect of the unaudited pro forma financial information of the Group.*



Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

安永會計師事務所  
香港中環添美道1號  
中信大廈22樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

21 July 2014

The Directors  
Century City International Holdings Limited  
11th Floor  
68 Yee Wo Street  
Causeway Bay  
Hong Kong

## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

Dear Sirs

We have completed our assurance engagement to report on the compilation of pro forma financial information of Century City International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2013, and related notes as set out on pages 31 to 35 of the circular dated 21 July 2014 (the “**Circular**”) issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page 31 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of (i) the purchases of a total of 12,736,000 ordinary shares of par value HK\$0.10 each in the capital of Regal Hotels International Holdings Limited (“**Regal Hotels Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the period from 4 January 2014 to 16 May 2014 (the “**Acquisition**”) and (ii) the repurchases of a total of 8,948,000 of Regal Hotels Shares on the Stock Exchange during the period from 4 January 2014 to 16 May 2014 (the “**Repurchase**”) on the Group’s financial position as at 31 December 2013 as if the Acquisition and the Repurchase

(collectively the “**Transactions**”) had taken place at 31 December 2013. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2013, on which an annual report has been published.

#### **Directors’ responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 (“**AG 7**”) *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

#### **Reporting Accountants’ responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to *AG 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Transactions on unadjusted financial information of the Group as if the Transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Transactions in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors, chief executive and senior management

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and the 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 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 the chief executive of the Company were taken or deemed 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 Issuers as set out in Appendix 10 of the Listing Rules (“**Model Code**”) were as follows:

*Long positions in the shares and underlying shares of the Company and its associated corporations*

The Company/ Name of its associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Corporate interests	Family/ Other interests		
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	100,587,396	1,769,164,691 ( <i>Note a</i> )	380,683	1,870,132,770 (58.29%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)	
	Miss Lo Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.004%)	
	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	—	—	4,000 (0.000%)	
	Mr. Ng Siu Chan	Ordinary (issued)	—	—	3,521,973	3,521,973 (0.11%)	

**APPENDIX IV**
**GENERAL INFORMATION**

The Company/ Name of its associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Corporate interests	Family/ Other interests		
2. Paliburg	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,376,803 <i>(Note b)</i>	15,000	830,469,817 (74.51%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)	
	Miss Lo Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)	
	Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)	
	Mr. Donald Fan Tung	Ordinary (issued)	556	—	—	556 (0.000%)	
	Mr. Kelvin Leung So Po	Ordinary (issued)	304,185	—	—	304,185 (0.03%)	
	Mr. Ng Siu Chan	Ordinary (issued)	—	—	80,474	80,474 (0.007%)	
3. Regal	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	575,449,261 <i>(Note c)</i>	260,700	575,734,161 (62.00%)	
	Miss Lo Po Man	Ordinary (issued)	300,000	—	269,169 <i>(Note d)</i>	569,169 (0.06%)	
	Mr. Kelvin Leung So Po	Ordinary (issued)	200	—	—	200 (0.000%)	
4. Cosmopolitan	Mr. Lo Yuk Sui	Ordinary (i) (issued)	—	1,484,516,716 <i>(Notes e(i) &amp; f)</i>	—	1,484,516,716	
		(ii) (unissued)	—	7,076,180,950 <i>(Notes e(ii) &amp; f)</i>	—	7,076,180,950	
						Total:	8,560,697,666 (389.33%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	750,000 <i>(Note f)</i>	—	—	750,000 (0.03%)	
	Miss Lo Po Man	Ordinary (issued)	460,000 <i>(Note f)</i>	—	—	460,000 (0.02%)	
5. Regal REIT	Mr. Lo Yuk Sui	Units (issued)	—	2,443,033,102 <i>(Note g)</i>	—	2,443,033,102 (75.00%)	
6. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1,000 <i>(Note h)</i>	—	1,000 (100%)	

**APPENDIX IV**
**GENERAL INFORMATION**

	The Company/ Name of its associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held		Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
					Corporate interests	Family/ Other interests	
7.	8D Matrix Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	2,000,000 <i>(Note i)</i>	—	2,000,000 (100%)
8.	8D International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	500,000 <i>(Note j)</i>	—	500,000 (100%)
9.	8D International (China) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 <i>(Note k)</i>	—	1 (100%)
10.	Century Digital Communications (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 <i>(Note l)</i>	—	1 (100%)
11.	Century Digital Communications Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	2 <i>(Note m)</i>	—	2 (100%)
12.	Century Digital Enterprise Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	100 <i>(Note n)</i>	—	100 (100%)
13.	Century Digital Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	3 <i>(Note o)</i>	—	3 (100%)
14.	Century Digital Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	49,968 <i>(Note p)</i>	—	49,968 (99.94%)
15.	China Noble Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 <i>(Note q)</i>	—	1 (100%)
16.	Full Range Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	10,000 <i>(Note r)</i>	—	10,000 (100%)
17.	Giant Forward Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 <i>(Note s)</i>	—	1 (100%)
18.	Grand Modern Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	330 <i>(Note t)</i>	—	330 (100%)
19.	Important Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	10,000 <i>(Note u)</i>	—	10,000 (100%)
20.	Net Age Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	97 <i>(Note v)</i>	—	97 (100%)

The Company/ Name of its associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Corporate interests	Family/ Other interests		
21. Net Community Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	3 (Note w)	—	3 (100%)	
22. Pilot Pro Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 (Note x)	—	1 (100%)	
23. Speedway Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	50,000 (Note y)	—	50,000 (100%)	
24. Task Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 (Note z)	—	1 (100%)	
25. Top Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	10,000 (Note aa)	—	10,000 (100%)	
26. Treasure Collection International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	2 (Note ab)	—	2 (100%)	

## Notes:

- (a) The interests in 1,769,164,691 issued Shares were held through companies wholly owned by Mr. Lo Yuk Sui (“Mr. Lo”) and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (b) The interests in 693,618,547 issued ordinary shares in Paliburg were held through companies wholly owned by the Company, in which Mr. Lo held approximately 58.28% shareholding interests as at the Latest Practicable Date.

The interests in 16,271,685 issued ordinary shares of Paliburg were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of Paliburg were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of Regal were held through companies wholly owned by the Company, in which Mr. Lo held approximately 58.28% shareholding interests as at the Latest Practicable Date, and the interests in the other 575,027,861 issued ordinary shares of Regal were held through companies wholly owned by Paliburg, in which the Company held approximately 62.23% shareholding interests as at the Latest Practicable Date.
- (d) The interests in 269,169 issued ordinary shares of Regal were held by Miss Lo Po Man as the beneficiary of a trust.
- (e) Capitalised terms used in notes (e) and (f) shall have the same meanings as those defined in the very substantial acquisition circular of the Company dated 25 June 2014 relating to (i) proposed subscription of Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares under Cosmopolitan Open Offer and (ii) proposed subscription of Cosmopolitan Convertible Bonds and possible subscription of Cosmopolitan Optional Convertible Bonds.
- (i) The interests in 1,484,516,716 issued Cosmopolitan Consolidated Shares were held through wholly-owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries. Paliburg, in which the Company held approximately 62.23% shareholding interests as at the Latest Practicable Date, held approximately 61.93% shareholding interests in Regal as at the Latest Practicable Date. Mr. Lo held approximately 58.28% shareholding interests in the Company as at the Latest Practicable Date.
- (ii) The derivative interests in 4,397,609,522 Cosmopolitan Consolidated Shares were acquired on 30 April 2014 through the provision of the Irrevocable Undertaking by P&R Holdings and the entering into of the Underwriting Agreement by P&R Strategic Limited as the Underwriter in connection with the Cosmopolitan Open Offer.

The derivative interests in 2,678,571,428 Cosmopolitan Consolidated Shares were acquired on 30 April 2014 through the entering into of the Cosmopolitan Convertible Bonds Subscription Agreement by P&R Holdings in connection with the issue by a wholly-owned subsidiary of Cosmopolitan of the Cosmopolitan Convertible Bonds with a principal amount of HK\$500 million and the Cosmopolitan Optional Convertible Bonds with a principal amount of HK\$500 million. The Cosmopolitan Convertible Bonds are convertible into Cosmopolitan Conversion Shares at the Cosmopolitan CB Conversion Price (HK\$0.35 per Cosmopolitan Conversion Share) (subject to adjustment). The Cosmopolitan Optional Convertible Bonds are convertible into Cosmopolitan Optional Conversion Shares at the Cosmopolitan Optional CB Conversion Price (HK\$0.40 per Cosmopolitan Optional Conversion Share) (subject to adjustment).

- (f) The interests in Cosmopolitan Consolidated Shares are disclosed after taking into account the Cosmopolitan Share Consolidation which became effective on 15 July 2014.
- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly-owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly-owned subsidiaries of Regal. The interests in 732,363 issued units of Regal REIT were held through wholly-owned subsidiaries of Paliburg. The interests in 2,687,000 issued units of Regal REIT were held through wholly-owned subsidiaries of the Company. Cosmopolitan were held as to approximately 67.51% shareholding interests by P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries, as at the Latest Practicable Date. Paliburg, in which the Company held approximately 62.23% shareholding interests as at the Latest Practicable Date, held approximately 61.93% shareholding interests in Regal as at the Latest Practicable Date. Mr. Lo approximately 58.28% shareholding interests in the Company as at the Latest Practicable Date.
- (h) 400 shares were held through companies controlled by the Company, in which Mr. Lo held approximately 58.28% shareholding interests as at the Latest Practicable Date, and 600 shares were held through a company controlled by Mr. Lo.
- (i) 800,000 shares were held through companies controlled by the Company, in which Mr. Lo held approximately 58.28% shareholding interests as at the Latest Practicable date, and 1,200,000 shares were held through companies controlled by Mr. Lo (including 8D International (BVI) Limited).

- (j) The interests in these shares of 8D International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

- (k) The interest in the share of 8D International (China) Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

(l) The interest in the share of Century Digital Communications (BVI) Limited was held through corporations controlled by Mr. Lo as detailed below:

<b>(a) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

<b>(b) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(m) The interests in these shares of Century Digital Communications Limited were held through corporations controlled by Mr. Lo as detailed below:

<b>(a) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	the Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Communications (BVI) Limited	Important Holdings Limited	100.00

<b>(b) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Communications (BVI) Limited	Important Holdings Limited	100.00

- (n) The interests in these shares of Century Digital Enterprise Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Investments Limited	Important Holdings Limited	99.93

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Investments Limited	Important Holdings Limited	99.93

- (o) The interests in these shares of Century Digital Holdings Limited were held through corporations wholly owned by Mr. Lo.

- (p) The interests in these shares of Century Digital Investments Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67



- (q) The interest in the share of China Noble Investments Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00

- (r) The interests in these shares of Full Range Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(s) The interest in the share of Giant Forward Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

(t) The interests in these shares of Grand Modern Investments Limited were held through corporations wholly owned by Mr. Lo.

(u) The interests in these shares of Important Holdings Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. LO	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Secure Way Technology Limited	Mr. LO	100.00

- (v) The interests in these shares of Net Age Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Investments Limited	Important Holdings Limited	99.93

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Investments Limited	Important Holdings Limited	99.93

- (w) The interests in these shares of Net Community Limited were held through a corporation wholly owned by Mr. Lo.

- (x) The interest in the share of Pilot Pro Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

(y) The interests in these shares of Speedway Technology Limited were held through corporations controlled by Mr. Lo.

<b>(a) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

<b>(b) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(z) The interest in the share of Task Master Technology Limited was held through corporations controlled by Mr. Lo as detailed below:

<b>(a) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00

<b>(b) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00

(aa) The interests in these shares of Top Technologies Limited were held through corporations controlled by Mr. Lo as detailed below:

<b>(a) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(ab) The interests in these shares of Treasure Collection International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
The Company	Mr. Lo	58.28
Century City BVI Holdings Limited	The Company	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company held 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.

**Substantial Shareholders**

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 the 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 Shares held	Number of underlying Shares held	Total number of Shares (issued and underlying) held	Approximate percentage of issued Shares as at the Latest Practicable Date
Secure Way Technology Limited (Notes i and ii)	1,630,416,666	—	1,630,416,666	50.82%
Net Community Limited (Notes i, ii and iii)	1,630,416,666	—	1,630,416,666	50.82%
Century Digital Holdings Limited (Notes i, ii and iv)	1,630,416,666	—	1,630,416,666	50.82%
Grand Modern Investments Limited (Notes i, ii and v)	1,630,416,666	—	1,630,416,666	50.82%
Dalton Investments LLC	385,084,296	—	385,084,296	12.00%

*Notes:*

- (i) These companies are wholly owned by Mr. Lo Yuk Sui and their interests in Shares are included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed above under this section headed “Disclosure of Interests”.
- (ii) The interests in these Shares are directly held by Grand Modern Investments Limited.
- (iii) Net Community Limited is wholly owned by Secure Way Technology Limited.
- (iv) Century Digital Holdings Limited is wholly owned by Net Community Limited.
- (v) Grand Modern Investments Limited is wholly owned by Century Digital Holdings Limited.

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.

Save as disclosed below, none of the Directors is a director or employee of the companies which have an interest in the Shares and underlying Shares as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (1) Mr. Lo Yuk Sui is a director of Secure Way Technology Limited.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Net Community Limited, Century Digital Holdings Limited and Grand Modern Investments Limited.

### **3. OTHER INTERESTS OF DIRECTORS**

Save as disclosed in this circular and as at the Latest Practicable Date,

#### **(a) Interests in service contracts**

None of the Directors had entered, or is proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### **(b) Interests in assets**

None of the Directors had any direct or indirect interest in any assets which have, since 31 December 2013, being the date of the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to, any member of the Group; and

#### **(c) Interests in contracts or arrangements**

None of the Directors was materially interested in any contract or arrangement entered into with any member of the Group, which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or their associates was interested in any 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 their associates were appointed to represent the interests of the Company and/or the Group.

### **5. LITIGATION**

So far as the Directors are aware, there was no litigation or claims of material importance pending or threatened against any member of the Group as at the Latest Practicable Date.

## 6. EXPERT AND CONSENT

The following is the qualification of the expert who has given, or agreed to the inclusion of, its opinion or advice in this circular:

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants

Ernst & Young had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, as the case may be, and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Ernst & Young did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Ernst & Young did not have, nor had had, any direct or indirect interest in any assets which have since 31 December 2013 (being the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 7. MATERIAL CONTRACT

The following contract was entered into by members of the Group (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) during the period of two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) The entrusted loan agreement dated 11 October 2013 entered into between Shenzhen Leading Technology Co., Ltd. (深圳創先智能科技有限公司) (as the lender), Shenzhen Zhuyuan Enterprise Co., Ltd.\* (深圳竹園企業有限公司) (as the borrower) and Bank of China Limited, Shenzhen Sub-Branch (as the lending agent) in relation to the entrusted loan in the principal amount of up to RMB200 million.

\* For identification purpose only



**8. MISCELLANEOUS**

- (a) The registered office of the Company is at 26 Burnaby Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.
- (c) The secretary of the Company is Ms. Eliza Lam Sau Fun, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the above head office and principal place of business of the Company in Hong Kong for a period of 14 days from the date of this circular during normal business hours:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2012 and 2013;
- (c) the letter from Ernst & Young on the unaudited pro forma financial information, the text of which is set out in Appendix III to this circular;
- (d) the written consent of Ernst & Young referred to in the paragraph headed "Expert and Consent" in this Appendix IV;
- (e) the material contract referred to in the paragraph headed "Material Contract" in this Appendix IV;
- (f) this circular; and
- (g) the very substantial acquisition circular of the Company dated 25 June 2014 relating to (i) proposed subscription of Cosmopolitan open offer shares and/or Cosmopolitan convertible preference shares under Cosmopolitan open offer and (ii) proposed subscription of Cosmopolitan convertible bonds and possible subscription of Cosmopolitan optional convertible bonds.