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VERY SUBSTANTIAL ACQUISITION

**ACQUISITION OF A NEW HOTEL PROJECT
AT HONG KONG INTERNATIONAL AIRPORT**

A letter from the board of directors of Century City International Holdings Limited is set out on pages 4 to 8 of this circular.

3 March 2017

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Century City Board	4
Appendix I — Financial information of the Century City Group	9
Appendix II — Management discussion and analysis of the Century City Group ...	13
Appendix III — General information	88

DEFINITIONS

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

“Acquisition”	the acquisition of the development right of the Hotel Project by Capital Charm under the tender awarded by the Airport Authority
“Airport Authority”	the Airport Authority, a statutory body established and operating pursuant to the Airport Authority Ordinance (Chapter 483 of the Laws of Hong Kong)
“Capital Charm”	Capital Charm Holdings Limited, a wholly-owned subsidiary of Regal
“Century City”	Century City 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: 355)
“Century City Board”	the board of Century City Directors
“Century City Directors”	the directors of Century City
“Century City Group”	Century City and its subsidiaries
“Century City Shareholders”	holders of Century City Shares
“Century City Shares”	ordinary shares of HK\$0.10 each in the share capital of Century City
“Consideration”	the consideration for the Acquisition, being approximately HK\$2,188.9 million
“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
“Development Agreement”	the agreement to be entered into between Capital Charm and the Airport Authority in respect of the Acquisition
“Government”	the Government of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	the hotel to be developed in the Hotel Project
“Hotel Project”	the proposed development of the Hotel on the site located at Site A1a of SKYCITY (Chek Lap Kok Lot No.3) at Hong Kong International Airport
“Joint Announcement”	the joint announcement dated 2 February 2017 jointly published by Century City, Paliburg and Regal in relation to the Acquisition
“Latest Practicable Date”	28 February 2017, being the latest practicable date for ascertaining certain information in this circular before printing of 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
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“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) as to 50% and 50% respectively
“Qualified Issuer(s)”	has the meaning ascribed to it under Rule 14.04(10B) of the Listing Rules
“Qualified Property Acquisition”	has the meaning ascribed to it under Rule 14.04(10C) of the Listing Rules
“Regal”	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 Group”	Regal and its subsidiaries

DEFINITIONS

“Regal REIT”	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the SFO, the issued units of which are listed on the Main Board of the Stock Exchange (Stock Code: 1881)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-Lease”	the sub-lease of the Hotel (including the relevant land) to be granted by the Airport Authority to Capital Charm

LETTER FROM THE CENTURY CITY 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 Century City 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

Independent non-executive Century City Directors:

Mr. Anthony CHUANG

Mr. NG Siu Chan

Mr. WONG Chi Keung

Registered office:

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Bermuda

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

11th Floor

68 Yee Wo Street

Causeway Bay

Hong Kong

3 March 2017

To the Century City Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

ACQUISITION OF A NEW HOTEL PROJECT AT HONG KONG INTERNATIONAL AIRPORT

With reference to the Joint Announcement, on 2 February 2017 the Airport Authority notified Capital Charm (a wholly-owned subsidiary of Regal) that the tender offer submitted by Capital Charm was accepted and Capital Charm was awarded the contract for the development of the Hotel Project located at Site A1a of SKYCITY (Chek Lap Kok Lot No.3) at Hong Kong International Airport. Capital Charm will enter into the Development Agreement with the Airport Authority in respect of the Acquisition on or before 3 April 2017.

Based on an applicable percentage ratio, the Acquisition constitutes a very substantial acquisition for Century City under Chapter 14 of the Listing Rules. Century City is a Qualified Issuer for the purposes of the Listing Rules under Rule 14.04(10B) and the Acquisition is exempt from shareholders' approval of Century City pursuant to Rule 14.33A of the Listing Rules. The purpose of this circular is to provide you with information in relation to the Acquisition.

LETTER FROM THE CENTURY CITY BOARD

MAJOR TERMS OF THE ACQUISITION

Parties

The Airport Authority holds the site of the Hotel Project under the land grant from the Government and is a third party independent of Century City and its connected persons (as defined in the Listing Rules). The Airport Authority, a statutory body wholly owned by the Government, is responsible for the operation and development of Hong Kong International Airport. The Regal Group (a subsidiary group of Century City) presently owns and operates the “Regal Airport Hotel” which is also held under a sub-lease from the Airport Authority.

Capital Charm, the successful tenderer of the Hotel Project, is a wholly-owned subsidiary of Regal and, in turn, a subsidiary of Century City. The principal business activities of Capital Charm are real estate and hotel development and related business.

Consideration

The Consideration (representing the non-refundable rental payment) payable by Capital Charm to the Airport Authority for the Acquisition is approximately HK\$2,188.9 million which shall be payable by Capital Charm on or before the date of the Development Agreement. The Consideration represents Capital Charm’s successful tender price of the Acquisition under a tender process conducted by the Airport Authority and such tender price was determined by Capital Charm after having regard to, among others, the development and business potentials of the Hotel Project.

The Regal Group has made a tender deposit of HK\$10 million to the Airport Authority which shall be returned to the Regal Group within 30 days from the date of the Development Agreement. The Consideration of the Acquisition of the Hotel Project will be funded by the Regal Group by way of its own internal resources and/or external financing.

Security and guarantee

As security for the due performance and observance of the Development Agreement, Capital Charm shall pay a performance deposit of HK\$15 million, which shall be refunded within 30 days after completion of the works in respect of the Hotel as specified in the Development Agreement.

Regal shall guarantee the performance of Capital Charm under the Development Agreement and the Sub-Lease.

THE HOTEL PROJECT

The Hotel Project, with a site area of approximately 6,650 square metres and permissible gross floor area of 33,700 square metres, is located at Site A1a of SKYCITY (Chek Lap Kok Lot No.3) at Hong Kong International Airport. It is preliminarily planned that the Hotel Project will be developed

LETTER FROM THE CENTURY CITY BOARD

into a multi-storey hotel building providing over 1,000 guest rooms and suites, with ancillary facilities. Pursuant to the terms of the Development Agreement, the construction of the Hotel shall be completed within 60 months after the date of the Development Agreement and the Hotel shall be opened within 69 months after the date of the Development Agreement.

Within 30 days following completion of the Hotel, the Airport Authority will grant to Capital Charm the Sub-Lease of the Hotel (including the relevant land) for a term up to 17 September 2066. Capital Charm shall be entitled to appoint a hotel operator, subject to the approval of the Airport Authority, to operate and manage the Hotel for a term up to 17 September 2066. Pursuant to the terms of the Sub-Lease, Capital Charm shall pay 2% of the gross revenue of the Hotel to the Airport Authority on a monthly basis in arrear commencing from the first month in the eleventh year after the date of the Development Agreement until the end of the term.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Situated just a short stroll from Hong Kong International Airport, the SKYCITY is an integrated development project of the Airport Authority covering approximately 25 hectares of land, which is located at the north-eastern corner of the airport island, surrounded by Terminal 2 of Hong Kong International Airport, AsiaWorld-EXPO and SkyPier. The Hotel Project is the first phase of the SKYCITY Project, which also comprises offices and retail, dining and entertainment facilities.

Upon commissioning of the Hong Kong-Zhuhai-Macao Bridge, the journey time among Hong Kong International Airport, Zhuhai and Macao will be greatly reduced. It is estimated that upon full commissioning of the Three-Runway System, Hong Kong International Airport will have the capacity to meet the increasing air traffic demand, and Lantau Island will become the geographical converging point of Guangdong, Hong Kong and Macao, providing new opportunities for the next stage of Hong Kong's development as a regional hub.

Century City, through its subsidiaries, is principally engaged in property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing business and other investments including financial assets investments. Capital Charm, the successful tenderer of the Hotel Project, is a wholly-owned subsidiary of Regal. As Regal is a listed subsidiary of Century City, Capital Charm is also a subsidiary of Century City.

The Regal Group was also the developer of the first hotel project at Hong Kong International Airport, which is now operated as the Regal Airport Hotel. Regal Airport Hotel has been awarded in 2016 "The Best Airport Hotel in the World" by Business Traveller UK Magazine for the 9th consecutive year and "The Best Airport Hotel in Asia-Pacific" by Business Traveller Asia-Pacific Magazine for the 16th consecutive year, apart from obtaining other various awards. Leveraging on its successful and extensive hotel operation and management experience, the Regal Group believes that the Hotel, when completed, will become another flagship hotel of the Regal Group.

LETTER FROM THE CENTURY CITY BOARD

The terms of the Acquisition are determined after having considered the requirements of the tender set by the Airport Authority and the prospects of the Hotel Project. Century City considers that the Hotel Project is a good business opportunity for the Regal Group to further expand and strengthen its prominence in the hotel business in Hong Kong. The Century City Directors consider that the terms of the Acquisition are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of Century City and its shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Assets and liabilities

The Consideration of the Acquisition of the Hotel Project will be funded by the Regal Group by way of its own internal resources and/or external financing. The Consideration amount will be capitalised as a non-current asset in the consolidated financial statements of Regal. As Regal is a listed subsidiary of Century City and Paliburg, the Consideration amount will also be capitalised as a non-current asset in the consolidated financial statements of Century City and Paliburg.

The Regal Group has made a tender deposit of HK\$10 million to the Airport Authority which shall be returned to the Regal Group within 30 days from the date of the Development Agreement. As security for the due performance and observance of the Development Agreement, Capital Charm shall pay a performance deposit of HK\$15 million, which shall be refunded within 30 days after completion of the works in respect of the Hotel as specified in the Development Agreement.

Earnings

The Hotel Project will undergo development where in accordance with the terms of the Development Agreement, the construction of the Hotel shall be completed within 60 months after the date of the Development Agreement and the Hotel shall be opened within 69 months after the date of the Development Agreement, upon which the Hotel will commence to generate revenue from its operation. Pursuant to the terms of the Sub-Lease, Capital Charm shall pay 2% of the gross revenue of the Hotel to the Airport Authority on a monthly basis in arrear commencing from the first month in the eleventh year after the date of the Development Agreement until the end of the term, being 17 September 2066.

The capitalised cost of the Acquisition, being the Consideration, will be amortised over the term of the Sub-Lease.

LISTING RULES IMPLICATIONS

Based on an applicable percentage ratio, the Acquisition constitutes a very substantial acquisition for Century City under Chapter 14 of the Listing Rules. The Acquisition satisfies the condition under Rule 14.33A(1) of the Listing Rules as further detailed below pursuant to Rule 14.33B(2)(c) of the Listing Rules. Century City is a Qualified Issuer for the purposes of the Listing Rules under Rule 14.04(10B). The Acquisition is an exempt Qualified Property Acquisition for Century City under Rule 14.33A of the Listing Rules as (i) the Acquisition involves the acquisition of the Hotel Project from the Airport Authority, a Government-controlled entity, through a tender, and

LETTER FROM THE CENTURY CITY BOARD

(ii) the Hotel Project is in the Century City Group's ordinary and usual course of business and undertaken by Capital Charm on a sole basis. Accordingly, the Acquisition is exempt from shareholders' approval of Century City pursuant to Rule 14.33A of the Listing Rules. Details of the Acquisition as required under Rule 14.33B(2)(a) of the Listing Rules are set out above under the sections headed "Major terms of the Acquisition" and "The Hotel Project".

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 of
Century City International Holdings Limited
LO Yuk Sui
Chairman

AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE CENTURY CITY GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015

Financial information of the Century City Group for each of the three years ended 31 December 2013, 2014 and 2015 is disclosed on pages 66 to 185 of the annual report of Century City for the year ended 31 December 2013, pages 58 to 176 of the annual report of Century City for the year ended 31 December 2014 and pages 61 to 172 of the annual report of Century City for the year ended 31 December 2015, all of which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of Century City (www.centurycity.com.hk).

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE CENTURY CITY GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2016

The unaudited consolidated financial information of the Century City Group for the six months ended 30 June 2016 is disclosed on pages 24 to 51 of the interim report of Century City for the six months ended 30 June 2016, which is available on the website of the Stock Exchange (www.hkexnews.hk) and the website of Century City (www.centurycity.com.hk).

INDEBTEDNESS

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of this statement of indebtedness, the Century City Group had outstanding borrowings of approximately HK\$16,611.7 million which represented (i) bank loans of approximately HK\$9,638.5 million secured by certain of the Century City Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances, with an aggregate net book value of approximately HK\$19,278.6 million as at 30 June 2016, (ii) unsecured notes of US\$642.0 million (approximately HK\$4,978.1 million) issued under a US\$1,000.0 million medium term note programme of Regal, (iii) unsecured notes of HK\$775.0 million and US\$150.0 million (approximately HK\$1,163.1 million) issued under a US\$1,000.0 million medium term note programme of Regal REIT (the "**Regal REIT MTN Programme**") and (iv) outstanding convertible bonds of Cosmopolitan in the principal amount of approximately HK\$57.0 million.

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 a bank loan of approximately HK\$18.0 million, all of the above outstanding borrowings of the Century City Group were guaranteed by certain of Century City's subsidiaries.

Save as disclosed above and apart from intra-group liabilities, the Century City Group did not have, at the close of business on 31 December 2016, 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.

WORKING CAPITAL

The Century City Directors are of the opinion that, after taking into account the Acquisition, the internal resources and the present banking facilities available to the Century City Group, the Century City 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.

FINANCIAL AND TRADING PROSPECTS OF THE CENTURY CITY GROUP

The Century City Group comprises a total of five listed entities in Hong Kong. As the ultimate listed holding company of the Century City Group, Century City held as at the Latest Practicable Date approximately 62.3% shareholding in Paliburg, its intermediate listed subsidiary. The core hotel and property businesses of the Century City Group are conducted through different subsidiaries of Paliburg: (i) Regal, a listed subsidiary held as to approximately 67.9% by Paliburg as at the Latest Practicable Date, primarily undertakes the Century City Group's hotel businesses, and apart from engaging in hotel operating and management businesses, Regal has a significant portfolio of diversified business interests and as at the Latest Practicable Date held approximately 74.6% of the outstanding units of Regal REIT, a listed subsidiary of Regal which owns all the eight operating Regal and iclub Hotels in Hong Kong; (ii) P&R Holdings (a joint venture 50:50 owned by each of Paliburg and Regal) conducts the Century City Group's property businesses, and as at the Latest Practicable Date, P&R Holdings held an effective controlling shareholding interest of approximately 77.0% in Cosmopolitan (comprising interests in its ordinary shares and convertible preference shares) and substantial interests in the convertible bonds of Cosmopolitan; Cosmopolitan is consequently also a listed member of the Century City Group, which principally focuses on property development and investment in the PRC and other investment businesses. Further information on the prospects of the members of the Century City Group is set out below.

The Paliburg Group

The property market in Hong Kong is expected to undergo some further consolidation in the short term. Having regard to the persistent low interest rate environment, the opulent liquidity of the capital market and the strong underlying demands for different types of properties in Hong Kong, particularly the residential sector, the outlook of the property market in Hong Kong remains positive. The Government is committed to maintaining a steady supply of development lands, which will provide investment opportunities for real estate developers.

Apart from the residential project at Tan Kwai Tsuen Road in Yuen Long which was completed in the fourth quarter in 2015, most of the other development projects presently undertaken by the Paliburg Group in Hong Kong are scheduled for completion within the next few years, including the commercial/residential project at Shun Ning Road in Sham Shui Po, the hotel development project at Anchor Street/Fuk Tsun Street in Tai Kok Tsui, the shopping mall development project at Po Tai Street in Ma On Shan and the upscale residential project in Kau To, Sha Tin. These projects are anticipated to generate substantial cash flows and profit contributions to the Paliburg Group when they are completed and sold, while the shopping mall project in Ma On Shan is presently intended to be retained to boost the recurrent income.

The Paliburg Group will continue to actively participate in the Government land tenders, with a view to replenishing its land bank. The directors of Paliburg are optimistic that the Paliburg Group as a whole will continue to grow and will bring increasing returns to shareholders.

The Regal Group

In view of the changing mix and spending pattern of visitors, the Government is staging various promotional initiatives to attract more high-spending overnight visitors to Hong Kong and to rebuild Hong Kong's reputation as a hospitality city internationally. In the long term, the Government has committed to upgrade Hong Kong's tourism infrastructure. Although the short term business environment will continue to be challenging, the directors of Regal Portfolio Management Limited, a wholly-owned subsidiary of Regal acting as the manager of Regal REIT (the "**REIT Manager**"), believe that the future prospects for the hotel business in Hong Kong will remain favourable. The REIT Manager will continue to closely monitor any appropriate investment opportunities that may become available, with a view to further expanding and broadening the asset and income base of Regal REIT. Nevertheless, having regard to the volatile economic environment globally, any such acquisitions will be pursued with particular prudence.

As set out in the interim report of Regal for the six months ended 30 June 2016, based on the Half-yearly Economic Report 2016 released by the Government, the latest visitor arrivals trend indicated that the drag from the slowdown of inbound tourism has been reducing. The Regal Group expects that the business operations of the Regal Group's hotels in the second half of 2016, which includes the traditional high season of the year, should perform better than in the first six months.

In July 2016, the Regal Group launched a new series of unsecured guaranteed 5-year US\$ denominated term notes under the Regal Group's Medium Term Note Programme, which was met with favourable response from institutional and private investors. The 5-year term notes bear coupon interest at 3.875% per annum and were issued at an issue price of 99.663% of the nominal amount, and the total nominal amount of the notes issued was upsized from US\$300 million to US\$350 million.

With its solid asset base and strong liquid resources, the Regal Group will continue to expand its investments in different business sectors, with a view to sustaining further growth. Under this objective, the Regal Group has successfully pursued the Acquisition.

The Cosmopolitan Group

The property market in the PRC witnessed some consolidation in the recent few months but overall long term prospects remain positive. Presale of the properties in the composite development projects in Tianjin as well as in Chengdu is underway. The Cosmopolitan Group is hopeful that substantial income and cash flows will continue to be generated when these two major development projects currently undertaken by the Cosmopolitan Group are being completed and sold.

General

As set out in the interim report of Century City for the six months ended 30 June 2016, the financial position of the Century City Group as a whole remains solid, supported by strong liquidity and quality asset backing. The Century City Directors are optimistic that the profit performance of the Century City Group will be gradually enhanced, particularly when the various development projects and investments presently undertaken by the Century City Group come into fruition over the course of the next few years.

**1. MANAGEMENT DISCUSSION AND ANALYSIS ON THE CENTURY CITY GROUP
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

Set out below is the management discussion and analysis on the Century City Group as extracted from the interim report of Century City for the six months ended 30 June 2016 (the “2016 Interim Report”). Terms used below follow the meanings as set out in the 2016 Interim Report.

1.1 FINANCIAL RESULTS

For the six months ended 30th June, 2016, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$1.3 million, as compared to the HK\$50.8 million achieved in the same period in 2015.

The lower profit attained for the current period was largely attributable to the net fair value loss on financial assets at fair value through profit or loss, while for the comparative period in 2015, a net fair value gain on such financial assets was recorded.

Operating profit before depreciation, finance costs and tax of the Group for the first six months ended 30th June, 2016 amounted to HK\$425.2 million, as compared to HK\$530.4 million in the corresponding period in 2015. Depreciation charges for the period amounted HK\$307.8 million (2015 — HK\$287.4 million) which, although having no impact on cash flows, have adversely affected the reported profit. The depreciation charges were predominantly related to the hotel properties in Hong Kong that are owned and operated within the Group, which are classified in the Group’s financial statements as property, plant and equipment and subject to depreciation charges to comply with the currently applicable accounting standards.

1.2 BUSINESS OVERVIEW

The Group comprises five listed entities in Hong Kong, all with different business focuses, with the Company acting as the ultimate controlling company of the business conglomerate.

As at 30th June, 2016, the Group held a controlling shareholding interest of approximately 62.2% in Paliburg Holdings Limited, through which the controlling interests in the other listed members of the Group are held. Paliburg itself is principally engaged in property development and investment businesses in Hong Kong, which are currently conducted through P&R Holdings Limited, a 50:50 joint venture established by Paliburg with Regal Hotels International Holdings Limited. As Regal is a 67.1% owned subsidiary of Paliburg, P&R Holdings is effectively also a subsidiary of Paliburg.

Regal is principally engaged in the hotel operation and management business, property development (presently conducted through the joint venture in P&R Holdings), property investment, aircraft ownership and leasing business and other investments. In addition, Regal held as at the half year end date approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, which owned all the eight Regal and iclub Hotels operating in Hong Kong.

Apart from its property development and investment businesses in Hong Kong, P&R Holdings also held as at 30th June, 2016 an effective controlling shareholding interest of approximately 77.0% in Cosmopolitan International Holdings Limited (comprising interests in its ordinary shares and convertible preference shares) and, in addition, substantial interests in the convertible bonds of Cosmopolitan. Cosmopolitan is consequently also a listed member of the Group, which is principally focused on property development and investment businesses in the People's Republic of China.

The Group first diversified into the aircraft ownership and leasing business in 2012, acquiring through a wholly owned subsidiary of the Company an 84.9% effective interest in a Boeing 737-800 aircraft. In April 2016, a wholly owned subsidiary of the Company completed the acquisition of a Boeing 733F freighter aircraft, which has been leased to a logistics operator operating in Southeast Asia under a finance lease for a term of 62 months from April 2016.

Concurrently, Regal has since 2012, through the same investment platform, made substantial investments in the aircraft ownership and leasing business. As at 30th June, 2016, the Regal group owned a fleet of 14 aircraft which, except for one that is 85%-owned, are all wholly owned by Regal.

The Group as a whole intends to further increase its investments in the aircraft ownership and leasing business, as the returns on the investments secured so far have been very attractive. The Group is in the meanwhile actively working to develop this new business unit under an independently operating structure, in order to facilitate its planned future expansion.

The Group has reactivated in 2015 the financing business of Cityline Finance Limited, a wholly owned subsidiary of the Company with a money lender's licence. The business of Cityline is principally targeted on mortgage financing businesses. Due to the keen competition in the retail lending market in Hong Kong, the building up of the loan portfolio of Cityline is relatively gradual.

Century Innovative Technology group (CIT), a 48%-owned associate of the Group, is a dynamic edutainment company principally engaged in the production of high-quality education and entertainment multimedia content as well as related products and services for the family, focusing primarily on the China market. CIT's flagship characters, Bodhi and Friends' brand positioning and world-class content have attracted enormous interest among best-in-class licensing partners, making it one of the top brands originating from China to present proven global potential. CIT has concluded a significant global licensing deal with Mattel, one of the largest toy companies in the world, which is beginning to generate revenues. The introduction of the intellectual property to the international networks is expected to generate increasing distribution revenue and income via various forms of licensing. In the meantime, CIT is in the final stage of discussions with the largest kindergarten chain operators in China to distribute Bodhi and Friends edutainment products and multimedia subscription packs. Focusing on creative content and digital products, CIT has also been in serious discussions with prominent partners to drive the development of its indoor discovery centers, feature film and musical show production. Building on key strategic partnerships, CIT is set to become a leading player in China's high-growth online-offline family edutainment space with robust potential to expand its business globally. Further detailed information in relation to the shareholding structure and business operations of CIT is contained in the section headed "Management Discussion and Analysis" in the 2016 Interim Report.

The operational performance and business review of the listed members of the Group during the period under review are highlighted below.

1.2.1 PALIBURG HOLDINGS LIMITED

For the six months ended 30th June, 2016, Paliburg attained an unaudited consolidated profit attributable to shareholders of HK\$17.2 million, as compared to HK\$54.9 million for the corresponding period in 2015.

The lower profit attained for the current period was primarily attributable to the net fair value loss on financial assets at fair value through profit or loss, while a net fair value gain on such financial assets was recorded in the prior comparative period. Operating profit before depreciation, finance costs and tax for the period amount to HK\$426.5 million, as compared to HK\$503.1 million for the same period in 2015.

The property market in Hong Kong continued to stabilise in the period under review and was mainly dominated by residential sales in the primary market. Property prices generally fell in the first part of 2016 but the residential property prices slightly rebounded in the recent few months. Due to the persistent low interest rate environment and the expectation that any future increase in interest rates will be slow, particularly after Brexit, the underlying demand for residential properties is expected to remain strong. This will provide support to the residential property prices, despite the anticipated increase in the supply of new residential units in the coming years.

The residential project at Tan Kwai Tsuen Road in Yuen Long was completed in the fourth quarter of 2015 and the certificate of compliance was obtained in April 2016. The development consists of one residential block, named Domus, with 134 studio apartment units and 36 garden houses, named Casa Regalia. All the Domus apartment units have been sold in June 2015 and the sale of the garden houses was first launched in May 2016. Up to the date of release of the interim results announcement of Century City for the six months ended 30 June 2016, 7 houses have been contracted to be sold. While the remaining houses are presently planned to be disposed of on a gradual basis, some of them may in the meantime be leased out for rental income.

In July 2016, P&R Holdings commenced the presale of the residential units in the commercial/residential joint venture project with the Urban Renewal Authority of Hong Kong at Shun Ning Road, Sham Shui Po, Kowloon. Up to the date of release of the interim results announcement of Century City for the six months ended 30 June 2016, 154 of the total 157 residential units in this development project have been contracted to be sold.

Both P&R Holdings and Cosmopolitan have secured substantial cash flows from the contracted presales of the units in their development projects. Under the currently applicable accounting standards and accounting policies adopted by the Paliburg group, the revenues from the contracted presales will not be recognised until in the case of a development project in Hong Kong, when the occupation permit is issued, and in the case of a development project in China, after the relevant units sold have been completed and handed over to the respective purchasers. Accordingly, these contracted and further presales of the units in the ongoing development projects undertaken through P&R Holdings and Cosmopolitan are only expected to record profit contributions from 2017 onwards.

However, the general marketing and promotional expenses spent on the presale programmes are required to be charged to profit or loss as they were incurred, before the sales revenues are recognised, which could have a slight impact on the results of the Paliburg group for the current financial year.

Further details on the development projects and properties of P&R Holdings as well as those of Cosmopolitan are contained in the section headed “Management Discussion and Analysis” in the 2016 Interim Report.

1.2.2 REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2016, Regal attained an unaudited consolidated profit attributable to shareholders of HK\$130.3 million, as compared to HK\$123.8 million recorded for the same period in 2015.

During the period under review, the Regal group maintained steady performance amidst relatively competitive and challenging market conditions. Overall revenues (including the proceeds from the disposal of two held-for-sale garden houses in Regalia Bay and the net gain from the sale of the shareholding interests held in Asia Standard Hotel Group Limited) amounted to HK\$1,374.7 million, representing an increase of 9.8% over the HK\$1,251.6 million for the corresponding period last year. Gross profit increased by 7.6% year-on-year to HK\$605.3 million for the current period (2015 — HK\$562.3 million). Largely due to the fair value losses on the financial assets and investment properties, the operating profit before depreciation, financial costs and tax of the Regal group for the half year under review amounted to HK\$527.4 million, which was 8.9% below the HK\$579.2 million for the last corresponding period. Total depreciation charges provided by Regal on its hotel properties amounted to HK\$231.9 million which, although not having an effect on cash flows, have significantly impacted on its reported profit.

Hotel market overview

According to the World Bank Group, growth prospects have weakened throughout the world economy. Global growth for 2016 is projected at 2.4 percent, with the advanced economies expected to expand by 1.7 percent. Emerging market and developing economies are facing stronger headwinds, including weaker growth among advanced economies and persistently low commodity prices, as well as lackluster global trade and capital flows. Growth in China decelerated to 6.9 percent in 2015 and further to 6.7 percent in the first half of 2016, reflecting weak exports and slowing investment, while the domestic rebalancing is gradually under way. In June 2016, the United Kingdom voted to leave the European Union and while the process and timescale for the withdrawal are still uncertain, the move could have significant economic repercussions worldwide. There are, moreover, a number of uncertainties that could materially affect the future development of the global economy, including increased volatility in the financial markets, heightened uncertainties of fiscal policies and enhanced tension in the geopolitical arena.

For the period under review, Hong Kong’s economy expanded moderately by 1.2% year-on-year and the GDP for 2016 is forecast to grow by one to two percent in real terms, as adjusted downwards due to the slowdown in the local economy. In the same period, total visitors to Hong Kong amounted

to about 27.2 million, representing a decrease of 7.4% year-on-year, of which about 20.4 million were visitors from Mainland China, which was a decrease of 10.6% year-on-year. Visitors from Mainland China under the Individual Visit Scheme alone amounted to approximately 11.5 million, a reduction of 20.1% from the same period in 2015. The reduction in Mainland China visitors was to a certain extent compensated for by the rebound in the number of visitors from the traditional long haul and other short haul markets. The number of overnight visitors maintained at about 12.4 million, which was a decrease of only 2.1% compared on a year-on-year basis. Due to the slowdown in the number of visitors from Mainland China, the retail sector in Hong Kong has been significantly affected, with the value of total retail sales in the first six months of 2016 having contracted by 10.5% year-on-year.

Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June decreased slightly from 85% in 2015 to 84% in 2016, while the average achieved room rate shrunk by 5.8%, reflected in a drop in the Revenue per Available Room (RevPAR) of 6.9% year-on-year.

Hotel ownership

Regal REIT

Regal Portfolio Management Limited, a wholly owned subsidiary of the Regal group, acts as the REIT Manager.

For the six months ended 30th June, 2016, Regal REIT achieved an unaudited consolidated profit before distribution to unitholders of HK\$328.6 million, as compared to a loss of HK\$1,376.9 million reported in the corresponding period in 2015. Based on the market valuations appraised by the principal valuer of Regal REIT as of 30th June, 2016, the fair value of Regal REIT's investment properties portfolio has increased by HK\$88.0 million over its last appraised value as of 31st December, 2015. This fair value gain has been reflected in its results for the interim period, while for the comparative period last year, a fair value loss of HK\$1,631.4 million was recorded. If these fair value changes are excluded, the core profit before distributions to unitholders for the period under review would amount to HK\$240.6 million, as compared to HK\$254.6 million for the same period in 2015.

The five initial Regal Hotels in Hong Kong owned by Regal REIT are presently leased to the Regal group for a 5-year term up to 31st December, 2020, with the market rental package to be determined on a yearly basis by an independent professional property valuer. The base rent payable to Regal REIT for the five initial Regal Hotels for 2016, as determined by the independent valuer, is HK\$732.0 million.

Apart from the five initial Regal Hotels, Regal REIT also owns three other hotel properties in Hong Kong, operating under the "iclub by Regal" brand name. The "iclub" brand is a new line of hotels developed by the Regal group, which are typically positioned as upscale select-service hotels, with contemporary design and stylish décor, and equipped with hi-tech facilities.

The first iclub hotel, the “iclub Wan Chai Hotel”, has been self-operated by Regal REIT since 2011. During the period, it maintained an occupancy level of 97.5%, although the average achieved room rate retracted by 3.2%. Aggregate net property income from this property, including the lease rentals from the non-hotel portions, amounted to HK\$10.4 million for the interim period, which was a reduction of 9.5% as compared with the same period last year.

The other two iclub hotels, namely, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, have also been leased to the Regal group on fixed terms up to 31st December, 2019, with an option for Regal REIT to extend the leases for another five years. Under the terms of the leases, the rentals for the initial 3 years of the fixed terms are fixed and the aggregate prorated rentals payable for the leasing of these two iclub hotels for the interim period amounted to HK\$84.5 million.

Regal REIT is presently in the course of arranging a HK\$5.5 billion 5-year term and revolving loan facility with a syndicate of local and international financial institutions. This new loan is primarily planned to early refinance the existing HK\$4.5 billion term loan facilities which are due to mature in July 2018. The remaining funds that will become available under the new loan are intended to be used for new acquisitions, if appropriate opportunities are available, and the continuing upgrading of Regal REIT’s existing property portfolio.

Hotel operations

Favour Link International Limited, a wholly owned subsidiary of the Regal group, is the lessee of all the hotels owned by Regal REIT, other than the iclub Wan Chai Hotel which is self-operated by Regal REIT.

During the period under review, the combined average occupancy level of the five initial Regal Hotels in Hong Kong, which are operating as full-service hotels under the “Regal” brand name, was maintained at 82.6%, as compared with 83.0% in the same period last year. Due to keen market competition, their combined average room rate over the same period decreased by 6.8%, resulting in a reduction in RevPAR of 7.3% year-on-year. If the operational figures of the five individual Regal Hotels are only compared with those of other comparable hotels in similar categories, their performance is in line with market averages. Aggregate net property income for these five hotels for the half year period amounted to HK\$339.2 million, as compared to HK\$372.6 million for the same period in 2015, and was below the prorated base rent of HK\$366.0 million.

The combined average occupancy level for the two iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel for the period under review was maintained at 84.7%, while their average achieved room rate was 3.3% lower than that in the corresponding period last year, which could be considered satisfactory under the prevailing market conditions. Although the net property incomes generated by these two hotels were below their fixed rental levels, management believes there is still room for improvement in the business operations of these two relatively new hotels. The initial 3-year period with fixed rentals for the iclub Sheung Wan Hotel will end on 9th February, 2017 and in accordance with the terms of the lease agreement, an independent professional property valuer has been jointly appointed by Regal REIT and the lessee to determine the market rental package for the ensuing period

from 10th February to 31st December, 2017. As mentioned before, any shortfall in the income from the operation of these two hotels below the lease payments payable for the first three years of the lease terms will be fully reimbursed by P&R Holdings and to be accounted for after expiry of the 3-year period in 2017 on a cumulative basis.

To meet the challenging market environment, the Regal group has taken steps to streamline and centralise the different operating functions of the hotels to take advantage of its scale of operations, with a view to containing the operating costs of the hotels. Moreover, the Regal group continually implements various marketing and sales initiatives to diversify its hotel guest source markets and to strengthen its sale distribution channels, including the setting up of new regional sales offices in South Korea, Singapore, the United Kingdom and the East Coast of the United States on top of its six existing overseas sales offices.

The La Mola Hotel & Conference Centre in Barcelona, Spain was acquired by the Regal group in 2014 at a distressed value. The hotel is presently operating under a third party franchise arrangement. The renovation programme to remodel and upgrade the hotel to an international 5-star standard has recently commenced.

Hotel management

Regal Hotels International Limited, the wholly owned management arm of the Regal group, is the hotel manager providing services to all the eight operating Regal and iclub Hotels in Hong Kong. The Regal group is also managing the La Mola Hotel and Conference Centre in Spain.

In China, there are presently nine hotels under operation which are managed by the Regal group. The two hotels that were most recently opened are, respectively, the Regal Financial Center Hotel in Foshan, a 230-room luxury hotel, in December 2015 and the iclub Yuhong Hotel in Zhengzhou, the first hotel managed by the Regal group under the iclub branding, in February 2016. Five other hotels to be managed by the Regal group are in the pipeline, which are expected to open over the course of the next several years. The Regal group believes that the continuing expansion of the hotel management businesses in China will further strengthen the recognition of the “Regal” brand and promote reciprocal businesses among the different hotels within the Regal group.

Properties

As mentioned above, the Regal group holds a 50% joint venture interest in P&R Holdings, through which its property development and investment businesses are presently principally conducted.

At the beginning of 2016, the Regal group held a total of 18 luxury garden houses in Regalia Bay, Stanley. During the period, a total of 3 Regalia Bay houses has been sold by the Regal group, two of which were properties held for sale and the other one was held as an investment property. While certain of the remaining 15 houses are being retained for rental income purposes, the other houses will be disposed of if favourable terms are offered.

Other investments

The Regal group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products. In June 2016, the Regal group disposed of, through private treaty, its entire 12% shareholding interest in Asia Standard Hotel Group Limited at a total consideration of approximately HK\$358 million, which was substantially above its historical cost and carrying value, and the gain derived has been accounted for in the results under review.

The Regal group diversified into the aircraft ownership and leasing business in 2012. As at 30th June, 2016, the Regal group owned a fleet of 14 aircraft, including two Airbus A321 model aircraft and 12 Embraer ERJ-135 and ERJ-145 model aircraft. Except for one Airbus aircraft which is 85%-owned, all the other aircraft are wholly owned by the Regal group. The aircraft are yielding satisfactory income and generated net lease rentals (before depreciation) of HK\$45.0 million during the period.

1.2.3 COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2016, Cosmopolitan attained an unaudited consolidated profit attributable to shareholders of HK\$40.3 million, as compared to a loss of HK\$164.0 million recorded for the corresponding six months in 2015.

The profit attained in the period under review was largely attributable to a gain of HK\$89.8 million arising from the decrease in the fair value of the outstanding subscription option for the subscription of the optional convertible bonds due 2017, which was recognised as a reduction in financial liability in the Cosmopolitan group's financial statements, as well as the recognition of a gain on bargain purchase of HK\$30.3 million arising from the Cosmopolitan group's acquisition of a 60% interest in a subsidiary investing in a licensed logistics services provider in Shanghai, the PRC. Both gains are mainly accounting in nature and do not have any immediate impact on the cash flows. As explained in the Interim Report for 2015, the loss incurred for the first six months in 2015 was also primarily due to the change in the fair value of the above outstanding subscription option, which was then recognised as an increase in financial liability.

For the period under review, the economy of China continued to stabilise. Its Gross Domestic Product decelerated from 6.9 percent in 2015 to 6.7 percent in the first half of 2016 but was within the target range set by the Central Government. Although faced with relatively weak exports and

slowing investment, the domestic rebalancing of its economy is gradually under way and the concerns over a possible hard landing of its economy are being relieved. Benefited by the relaxation in the fiscal and other administrative policies controlling the property market in China since last year, the property market rapidly revived, particularly in the residential sector in the first and second tier cities.

Taking advantage of the favourable market conditions, the Cosmopolitan group began to launch the presale of the residential units in its two composite development projects in the Hedong District in Tianjin and the Xindu District in Chengdu, Sichuan Province in October 2015 and in April 2016, respectively. Up to the date of release of interim results announcement of Century City for the six months ended 30 June 2016, the Tianjin development project has secured contracted sales of approximately RMB968 million (equivalent to approximately HK\$1,132 million) and for the Chengdu development project, approximately RMB166 million (equivalent to approximately HK\$194 million).

The two development projects in Chengdu and Tianjin were acquired by the Cosmopolitan group in 2013 and were then financed by the deferral of the payment of the considerations payable to the vendors, which are effectively P&R Holdings and a subsidiary of Regal, respectively. The consideration payables are due on 13th September, 2016, which was originally set by reference to the development and sale schedules for the two development projects formulated at the time of the acquisition. As the development progress of the two projects has lagged behind the original schedules, the payment of the consideration payables is required to be rescheduled, despite substantive progress having been achieved in their presale programmes.

On 4th August, 2016, the Cosmopolitan group announced that it had entered into a series of conditional agreements with the Regal group and the P&R Holdings group pursuant to which, among others, the Regal group agreed to grant to the Cosmopolitan group loan facilities (comprising term loan of HK\$1,350 million and revolving loan of HK\$500 million) for a term of 5 years, which will be used to settle all the outstanding consideration payables expected to be owing to the Regal group on completion of the agreements and will be secured by the Cosmopolitan group's entire equity interests in both the Chengdu and Tianjin development projects. Moreover, P&R Holdings group has also conditionally undertaken to subscribe for the optional convertible bonds due 2017 in an amount of no less than HK\$330 million on completion of the agreements (which will be used to settle the outstanding consideration payable owing to the P&R Holdings group) and to subscribe for the remaining optional convertible bonds due 2017 by the end of 2016, in conjunction with which the maturity dates for the existing issued convertible bonds and the optional convertible bonds due 2017 will be extended to 18th August, 2021.

The objective of effectively refinancing the consideration payables owing to the Regal group by way of the new 5-year loan facilities and extending the maturity of the convertible bonds to 2021 is to align their due dates with the latest presale progress and completion schedules of the Chengdu and Tianjin development projects.

The Cosmopolitan group and the Regal group may also consider in due course the possible acquisition by the Regal group of the hotel component comprised in the Chengdu project, as it is the intention of the Regal group to expand its hotel network in the PRC.

Completion of the above agreements is inter-conditional and will also be conditional upon, among others, the approval by the independent shareholders of Cosmopolitan and Regal, respectively.

1.3 OUTLOOK

Regal Group

In view of the changing mix and spending pattern of visitors, the Hong Kong Government is staging various promotional initiatives to attract more high-spending overnight visitors to Hong Kong and to rebuild Hong Kong's reputation as a hospitality city internationally. In the long term, the Hong Kong Government has committed to upgrade Hong Kong's tourism infrastructure. Although the short term business environment will continue to be challenging, the directors of the REIT Manager believe that the future prospects for the hotel businesses in Hong Kong will remain favourable. The REIT Manager will continue to closely monitor any appropriate investment opportunities that may become available, with a view to further expanding and broadening the asset and income base of Regal REIT. Nevertheless, having regard to the volatile economic environment globally, any such acquisitions will be pursued with particular prudence.

Based on the Half-yearly Economic Report 2016 released by the Hong Kong Government, the latest visitor arrivals trend indicated that the drag from the slowdown of inbound tourism has been reducing. The Regal group expects that the business operations of its hotels in the second half of 2016, which includes the traditional high season of the year, should perform better than in the first six months.

In July 2016, the Regal group launched a new series of unsecured guaranteed 5-year US\$ denominated term notes under its Medium Term Note Programme, which was met with favourable response from institutional and private investors. The 5-year term notes bear coupon interest at 3.875% per annum and were issued at an issue price of 99.663% of the nominal amount, and the total nominal amount of the notes issued was upsized from US\$300 million to US\$350 million.

With its solid asset base and strong liquid resources, the Regal group will continue to expand its investments in different business sectors, with a view to sustaining further growth.

Cosmopolitan Group

The property market in the PRC witnessed some consolidation in the recent few months but overall long term prospects remain positive. The Cosmopolitan group will soon launch, in stages, the sale of the remaining residential tower, the commercial complex and the car parking spaces in the Tianjin project as well as the other six residential towers under construction in the Chengdu project. The Cosmopolitan group is hopeful that substantial income and cash flows will be generated when these two major development projects currently undertaken by the Cosmopolitan group are completed and sold.

Paliburg Group

The property market in Hong Kong is expected to undergo some further consolidation in the short term. Having regard to the persistent low interest rate environment, the opulent liquidity of the capital market and the strong underlying demands for different types of properties in Hong Kong, particularly the residential sector, the outlook of the property in Hong Kong remains positive. The Hong Kong Government is committed to maintaining a steady supply of development lands, which will provide investment opportunities for real estate developers.

Apart from the residential project at Tan Kwai Tsuen Road in Yuen Long which was completed in the fourth quarter in 2015, most of the other development projects presently undertaken by the Paliburg group in Hong Kong are scheduled for completion within the next few years, including the commercial/residential project at Shun Ning Road in Sham Shui Po, the hotel development projects at Ha Heung Road in To Kwa Wan and at Anchor Street/Fuk Tsun Street in Tai Kok Tsui, the shopping mall development project at Po Tai Street in Ma On Shan and the upscale residential project in Kau To, Sha Tin. These projects are anticipated to generate substantial cash flows and profit contributions to the Paliburg group when they are completed and sold, while the shopping mall project in Ma On Shan is presently intended to be retained to boost the recurrent income.

The Paliburg group will continue to actively participate in the Government land tenders, with a view to replenishing its land bank. The directors of Paliburg are optimistic that the Paliburg group as a whole will continue to grow and will bring increasing returns to shareholders.

Century City Group

Although the results of the Group for the first six months have been affected by a number of adverse market factors, the financial position of the Group as a whole remains solid, supported by strong liquidity and quality asset backing.

The Directors are optimistic that the profit performance of the Group will be gradually enhanced, particularly when the various development projects and investments presently undertaken by the Group come into fruition over the course of the next few years.

1.4 CAPITAL RESOURCES AND FUNDING**Funding and Treasury Policy**

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

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project

completion date. Property development projects in the PRC are presently financed by internal resources and proceeds from the presale of the units. Project financing may be arranged in local currency on appropriate terms to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Group's banking facilities are 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 is kept under review by the Group's management from time to time. As the Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain the Group's exposure to currency fluctuation.

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK\$1,078.5 million (2015 - HK\$28.2 million). Net interest payment for the period amounted to HK\$65.7 million (2015 - HK\$133.3 million).

Borrowings and Gearing

As at 30th June, 2016, the Group had cash and bank balances and deposits of HK\$3,236.7 million (31st December, 2015 - HK\$2,678.8 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$10,678.0 million (31st December, 2015 - HK\$11,059.2 million).

As at 30th June, 2016, the gearing ratio of the Group was 27.8% (31st December, 2015 - 29.3%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$10,678.0 million (31st December, 2015 - HK\$11,059.2 million), as compared to the total assets of the Group of HK\$38,358.0 million (31st December, 2015 - HK\$37,738.8 million).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2016 are shown as follows:

Interest bearing bank borrowings

	30th June, 2016		31st December, 2015	
	(Unaudited)		(Audited)	
	<i>Maturity</i>	<i>HK\$'million</i>	<i>Maturity</i>	<i>HK\$'million</i>
Current				
Bank loans — secured	2016-2017	1,186.5	2016	1,271.7
Non-current				
Bank loans — secured	2017-2019	8,473.1	2017-2019	8,247.6
		<u>9,659.6</u>		<u>9,519.3</u>

	30th June, 2016	31st December, 2015
	(Unaudited)	(Audited)
	<i>HK\$'million</i>	<i>HK\$'million</i>

Analysed into:

Bank loans repayable		
Within one year	1,186.5	1,271.7
In the second year	2,277.9	1,635.7
In the third to fifth years, inclusive	6,195.2	6,611.9
	<u>9,659.6</u>	<u>9,519.3</u>

The agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$300.0 million (the “2013 IH Facilities”) was entered into on 23rd July, 2013 by Regal REIT group, through its wholly owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five Initial Regal Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. After the voluntary cancellation of the revolving loan facility by Regal REIT group, the outstanding amount on the 2013 IH Facilities was HK\$4,500.0 million as at 30th June, 2016, comprising the full amount of the term loan facility.

On 22nd December, 2014, a term loan facility agreement for a principal amount of HK\$440.0 million (the “2014 WC Facility”) was entered into, for a term of five years to December 2019, by Sonnix Limited, a wholly owned subsidiary of Regal REIT group. The 2014 WC Facility, secured by the iclub Wan Chai Hotel, was fully drawn down with the proceeds having been applied mainly for the repayment of the previous term loan facility which was entered into in 2012. As at 30th June, 2016, the outstanding amount on the 2014 WC Facility was HK\$440.0 million.

On 10th February, 2014, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the “2014 SW Facilities”), secured by the iclub Sheung Wan Hotel. The 2014 SW Facilities have a term of five years to February 2019. As at 30th June, 2016, the term loan amount of HK\$632.0 million was utilised and outstanding while the revolving loan facility of HK\$158.0 million remained undrawn.

On 28th July, 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (the “2014 FH Facilities”), secured by the iclub Fortress Hill Hotel. The 2014 FH Facilities have a term of five years to July 2019. As at 30th June, 2016, the utilised 2014 FH Facilities amounted to HK\$660.0 million under the term loan facility and HK\$90.0 million under the revolving loan facility.

As at 30th June, 2016, the outstanding loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rates (“HIBOR”) plus an interest margin ranging from 1.4% per annum to 1.62% per annum (31st December, 2015: ranging from 1.4% per annum to 1.62% per annum).

The Regal REIT group’s interest bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over each relevant rental account, sale proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

At 30th June, 2016, the Group’s other bank borrowings bear interest at HIBOR plus 1.4% to 1.75% per annum (31st December, 2015 - HIBOR plus 1.5% to 1.75% per annum) except for a bank loan of HK\$18.9 million (31st December, 2015 - HK\$18.5 million), which bears interest at the bank’s cost of fund plus 0.75% per annum (31st December, 2015 - the bank’s cost of fund plus 0.75% per annum). The Group’s other bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 16 to the condensed consolidated financial statements as set out in the 2016 Interim Report.

All interest bearing bank borrowings are denominated in Hong Kong dollars except for a bank loan of HK\$18.9 million (31st December, 2015 - HK\$18.5 million) which is denominated in Euro.

Other borrowings

	30th June, 2016 (Unaudited) <i>HK\$'million</i>	31st December, 2015 (Audited) <i>HK\$'million</i>
Unsecured other borrowings repayable:		
In the second year	4,227.5	2,289.4
In the third to fifth years, inclusive	—	1,929.3
	<u>4,227.5</u>	<u>4,218.7</u>

On 5th October, 2012, RH International Finance Limited (the “MTN Issuer”), a wholly owned subsidiary of Regal Hotels International Holdings Limited (“RHIHL”), a listed subsidiary of the Company, established a US\$1,000 million medium term note programme guaranteed by RHIHL (the “MTN Programme”).

On 19th October, 2012, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount.

On 11th January, 2013, R-REIT International Finance Limited (the “Regal REIT MTN Issuer”), a wholly owned subsidiary of Regal REIT, established a US\$1,000 million medium term note programme (the “Regal REIT MTN Programme”).

On 22nd March, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme 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. The notes were issued at a discount at 99.44% of the principal amount.

On 22nd May, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme 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. The notes were issued at a discount at 99.553% of the principal amount.

Pledge of Assets

As at 30th June, 2016, certain of the Group’s property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$19,028.6 million (31st December, 2015 - HK\$18,745.8 million) were pledged to secure general banking facilities granted to the Group and, in addition, certain of the 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\$324.3 million (31st December, 2015 -

HK\$462.1 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 30th June, 2016, certain ordinary shares in a listed subsidiary with a market value of HK\$333.1 million (31st December, 2015 - HK\$406.5 million) were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

The Group had the following capital commitments at the end of the reporting period:

	30th June, 2016 (Unaudited) <i>HK\$'million</i>	31st December, 2015 (Audited) <i>HK\$'million</i>
Contracted, but not provided for:		
Property development projects	<u>1,729.5</u>	<u>2,615.8</u>

Contingent Liabilities

A subsidiary of the Cosmopolitan Group is currently a defendant in certain outstanding litigation claims relating to the re-forestation project located in Xinjiang in the PRC. Based on the advice from the Cosmopolitan Group's legal counsel, the litigation claims are pending verification and/or the Cosmopolitan Group has good grounds of defence against the allegations. Accordingly, the Directors consider that it is appropriate to disclose such claims in an aggregate amount of approximately RMB9.6 million (HK\$11.2 million) (31st December, 2015 - RMB1.8 million (HK\$2.1 million)) as contingent liabilities and no provision has been made in the financial statements.

1.5 MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

On 31st May, 2016, the Cosmopolitan group completed the acquisition of 60% effective interest in the Logistics Group operating logistics and related businesses in the PRC. The investment in the Logistics Group and related transactions under the relevant framework agreement dated 13th January, 2016 (as supplemented by the supplemental framework agreement dated 12th April, 2016) constituted a discloseable transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details relating to the investment of the Logistics Group are mentioned under the sub-section headed "Business Review" in this section (headed "Management Discussion and Analysis") and note 13 to the condensed consolidated financial statements as set out in the 2016 Interim Report.

Save as disclosed above, during the period under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

1.6 STAFF AND REMUNERATION POLICY

The Group employs approximately 2,400 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE CENTURY CITY GROUP FOR THE YEAR ENDED ENDED 31 DECEMBER 2015

Set out below is the management discussion and analysis on the Century City Group as extracted from the annual report of Century City for the year ended 31 December 2015 (the "2015 Annual Report"). Terms used below follow the meanings as set out in the 2015 Annual Report.

2.1 FINANCIAL RESULTS

For the year ended 31st December, 2015, the Group achieved a consolidated profit attributable to shareholders of HK\$4.6 million, as compared to the profit of HK\$196.6 million recorded for 2014.

The substantially lower profit achieved for the year under review was primarily attributable to the fact that in the comparative profit attained in the preceding year, there were a number of one-off items including, in particular, the recovery of loans and related interest income in a sum of HK\$243.2 million by the Group, as disclosed in the annual report of the Company for the year ended 31st December, 2014. Moreover, due to the decrease in the number of visitor arrivals to Hong Kong, the performance of the hotel industry in Hong Kong in 2015 as a whole has been adversely affected. Hence, the operating results of the hotels of the Group in Hong Kong, being one of its core business operations, for the year have also been impacted, as compared to the levels achieved in 2014.

The Group's operating profit before depreciation, finance costs and tax for the year amounted to HK\$873.2 million (2014 — HK\$1,201.9 million, which as mentioned above included a number of one-off gains). However, as previously explained, as all the Group's hotel properties operating in Hong Kong are owned and operated within the Group, they are classified in the Group's consolidated financial statements as property, plant and equipment and are subject to depreciation to conform to currently applicable accounting standards. Accordingly, depreciation charges in an aggregate amount

of HK\$500.6 million have been provided on such hotel properties in the financial results under review which, though having no impact on cash flow, have adversely affected the overall reported profit. In addition, depreciation charges on the Group's aircraft fleet for the year amounted to HK\$49.5 million.

2.2 BUSINESS OVERVIEW

The Century City Group comprises a total of five listed entities in Hong Kong. As the ultimate holding company of the Group, the Company held as at the last year end date approximately 62.2% shareholding in Paliburg Holdings Limited, its intermediate listed subsidiary, and the core hotel and property businesses of the Group are conducted through different subsidiaries of Paliburg.

Regal Hotels International Holdings Limited, a listed subsidiary approximately 66.9% held by Paliburg as at 31st December, 2015, primarily undertakes the Group's hotel businesses. Apart from engaging in hotel operating and management businesses, Regal has a significant portfolio of diversified business interests and held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal which owns all the eight operating Regal and iclub Hotels in Hong Kong.

On the other hand, the property businesses of the Group are principally conducted through P&R Holdings Limited, which is a joint venture 50:50 owned by each of Paliburg and Regal. As Regal is a subsidiary of the Company held through Paliburg, P&R Holdings is effectively also a subsidiary of the Company. As at 31st December, 2015, P&R Holdings held an effective controlling shareholding interest of approximately 71.8% in Cosmopolitan International Holdings Limited (comprising interests in its ordinary shares and convertible preference shares) and, in addition, substantial interests in the convertible bonds of Cosmopolitan. Cosmopolitan is consequently also a listed member of the Group, which is principally focused on property development and investment in the People's Republic of China and other investment businesses.

The Group first initiated in July 2012 the investment in the aircraft ownership and leasing businesses, with the acquisition by a wholly owned subsidiary of the Company of an 84.9% effective interest in a Boeing 737-800 aircraft. Regal has since, through the same business platform, made substantial investments in this new business sphere. As at 31st December, 2015, the Regal group owned a fleet of 14 aircraft, including two Airbus A321 model aircraft and 12 Embraer ERJ-135 and ERJ-145 model aircraft.

Recently in March 2016, a wholly owned subsidiary of the Company entered into a letter of intent, through the appointed aircraft manager, for the proposed acquisition of a Boeing 737-300F freighter aircraft, which is intended to be leased to a logistics operator under a finance lease arrangement.

The Group as a whole is planning to further expand its aircraft ownership and leasing businesses, including the scale as well as the composition of the aircraft fleet, and is also investing more resources in the operations of the business, with a view that this new line of business will be separately operated as an integrated business unit of the Group in the not too distant future.

In the meantime, the Group has reactivated in June 2015 the financing business of Cityline Finance Limited, a wholly owned subsidiary of the Company with a money lender's licence. The financing business is now primarily focused on property mortgage business and depending on market conditions, could extend to other retail lending businesses.

Century Innovative Technology group (CIT), a 48%-owned associate of the Group, is a dynamic edutainment company principally engaged in the production of high-quality education and entertainment multimedia content as well as related products and services for the family, focusing primarily on the China market. CIT's flagship characters, Bodhi and Friends' brand positioning and world-class content have attracted enormous interest among best-in-class licensing partners, and CIT is in the final stage of concluding a significant licensing deal with a global leading toy company. The introduction of the intellectual property to the international networks is expected to generate increasing distribution revenue and income via various forms of licensing. In the meantime, CIT is in the final discussions with a company operating one of the largest kindergarten chains in China to develop and distribute Bodhi and Friends subscription packs. Focusing on creative content and digital products, CIT has also been in deep discussions with prominent partners to drive the development of its PlayLab indoor edutainment centers, feature film and musical show production. Building on key strategic partnerships, CIT is set to become a leading player in the family edutainment space with robust potential to expand its business globally. Further detailed information in relation to the shareholding structure and business operations of CIT is contained in the section headed "Management Discussion and Analysis" in the 2015 Annual Report.

The operational performance and business review of the listed members of the Group during the year under review are highlighted below.

2.2.1 PALIBURG HOLDINGS LIMITED

For the year ended 31st December, 2015, Paliburg achieved a consolidated profit attributable to shareholders of HK\$21.5 million, as compared to the profit of HK\$283.7 million recorded for 2014.

The substantial decrease in the profit achieved by Paliburg for the year under review is also attributable primarily to the fact that its comparative profit attained last year included a number of one-off items as well as the adverse impact on the hotel businesses due to the deterioration in the local tourist market during the year. Paliburg's operating profit before depreciation, finance costs and tax for the year amounted to HK\$863.3 million (2014 — HK\$1,163.2 million, which as mentioned above included a number of one-off gains). Total depreciation charges provided by Paliburg in its financial statements on the hotel properties owned in Hong Kong for the year amounted to HK\$500.6 million which, although not having an effect on cash flow, have also significantly impacted its reported profit. In addition, depreciation charges on the Paliburg group's aircraft fleet for the year amounted to HK\$39.9 million.

The property market in Hong Kong went through some consolidation during the latter part of the year under review but this is believed to be beneficial to the healthy development of the local real estate market in the longer term. The Government of Hong Kong is committed to providing a steady supply of development lands to maintain overall market stability. Like in the past, the Paliburg group will continue to actively participate through P&R Holdings in the government land tenders.

As reported in the Interim Report 2015, all the 134 studio apartment units, named Domus, in the residential project at Tan Kwai Tsuen Road in Yuen Long undertaken by P&R Holdings have been presold in June 2015. The sale programme for the 36 luxurious garden houses, named Casa Regalia, which constitute the main component of the project, is planned to be launched in the second quarter of 2016. The occupation permit for the project has been issued in the fourth quarter of 2015 and the certificate of compliance is anticipated to be obtained shortly. The profit attributable to the presale of the Domus apartment units has been reflected in the results for the year under review.

In August 2015, P&R Holdings further launched the sale programme for the ten residential duplex units remaining in Rainbow Lodge in Yuen Long and all the ten units have been sold in a short period of time.

To replenish its land bank following the disposals of the two hotel development projects in Sheung Wan and Fortress Hill to Regal REIT in 2014, P&R Holdings successfully secured from the Urban Renewal Authority in June 2015 the contract for the development of a new hotel project located at Anchor Street/Fuk Tsun Street in Tai Kok Tsui, Kowloon, which is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation.

All the other ongoing development projects of P&R Holdings, including the residential project in Kau To, Sha Tin, the shopping arcade project in Ma On Shan, Sha Tin, the two hotel projects in To Kwa Wan and Sheung Wan and the commercial/residential project in Sham Shui Po are all progressing as planned.

The commercial/residential development in Sham Shui Po is a joint venture project with the Urban Renewal Authority and its presale programme is also planned to be launched in the second quarter of 2016.

Further details on the development projects and properties of P&R Holdings, including those undertaken in China by Cosmopolitan are contained in the section headed “Management Discussion and Analysis” in the 2015 Annual Report.

2.2.2 REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2015, Regal achieved a consolidated profit attributable to shareholders of HK\$119.0 million, as compared to the profit of HK\$410.3 million attained in 2014.

The substantially lower profit achieved by Regal for the year under review is also attributable primarily to the fact that its comparative profit attained last year included a number of one-off items as well as the adverse impact on the hotel businesses due to the deterioration in the local tourist market during the year. Regal's operating profit before depreciation, finance costs and tax for the year amounted to HK\$1,046.3 million (2014 — HK\$1,160.4 million). Total depreciation charges provided by Regal on its hotel properties in Hong Kong for the year amounted to HK\$453.0 million which, although not having an effect on cash flow, have also significantly impacted its reported profit. In addition, depreciation charges on the Regal group's aircraft fleet for the year amounted to HK\$39.9 million.

Hotel market overview

Continuing the divergent trend in the previous year, the few major economies performed differently during 2015 with the United States leading the recovery pace. On 16th December, 2015, for the first time in almost 10 years, the US Federal Reserve raised the Federal Funds Rate by 0.25% and, matching the decision of the US Federal Reserve, the Hong Kong Monetary Authority also increased the base rate by 25 basis points from 0.5% to 0.75%, raising the interest rate in Hong Kong for the first time since 2006. This was believed to be the start of the US interest rate normalisation process but the pace of future interest rate hikes will still be dependent on the global economic conditions. While the US is showing signs of a recovery in its economy, the economies in the Eurozone only have slight improvements and Japan remains stagnant. In the PRC, the annual Gross Domestic Product (GDP) increased by 6.9%, representing a drop of 0.4 percentage point as compared to the preceding year, evidencing China's efforts to adapt to the new norms under which China's economic growth is turning from high-speed to medium-high speed, and to the adjustment of its industrial structure. Meanwhile, the annual GDP of Hong Kong increased modestly by 2.4%, which was 0.2 percentage point below the level in 2014.

In 2015, visitor arrivals to Hong Kong decreased by 2.5% year-on-year to a total of just over 59.3 million. This was the first time that Hong Kong has witnessed a negative growth in total visitor arrivals year-on-year since 2004. 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 2015 was 86.0%, a decrease of 4 percentage points from 2014, while the industry-wide achieved average room rate recorded a downward adjustment of 9.2%, resulting in a year-on-year decline of 13.3% in the Revenue per Available Room (RevPAR).

A number of adverse factors, including the hangover effects from the "Occupy Central" movement in late 2014 and the "Anti-parallel trade" activities during the first quarter of 2015, a strong Hong Kong dollar and the increased competition from other countries, continued to negatively impact on the tourist and hotel markets in Hong Kong in 2015. Overall business conditions for the hotel industry for the year have been challenging and hotel operators generally had to trade in room rates to maintain occupancies.

Hotel ownership**Regal REIT**

As at 31st December, 2015, the Regal group held approximately 74.6% of the total outstanding issued units of Regal REIT while Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager.

For the year ended 31st December, 2015, Regal REIT recorded a consolidated net loss before distributions to Unitholders of HK\$1,527.8 million, while for the financial year 2014, a consolidated net profit of HK\$238.5 million was reported. The consolidated loss recorded for 2015 was principally attributable to an accounting loss of HK\$2,049.5 million arising from the fair value changes in the appraised values of the hotel portfolio owned by Regal REIT between the two year end dates, after having taken into account the amount of capital expenditure incurred. If the effects of these fair value changes are excluded, the core profit before distributions to Unitholders for the year under review would amount to HK\$521.7 million, representing an increase of 3.2% over the corresponding amount of HK\$505.4 million for the preceding year.

Although the rental income received by Regal REIT from the five initial Regal Hotels and the net hotel income from its self-operated iclub Wan Chai Hotel fell short of the amounts achieved in 2014 due to the weaker market conditions, 2015 was the first full year of fixed rental receipts from both the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, which were acquired in February and July 2014, respectively. Consequently, the total distributable income of Regal REIT has increased by 3.3% from HK\$532.9 million in 2014 to HK\$550.3 million for the year under review.

The five initial Regal Hotels are under lease to a wholly owned subsidiary of Regal and their operating results for the year are highlighted in the paragraph headed “Hotel Operations” below. The iclub Wan Chai Hotel, which is owned and self-operated by Regal REIT, continued to enjoy good demand and while it was able to maintain close to full occupancy, the average room rate has dropped by 17.8% due to keen price competition. As previously reported, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel have also been leased to the hotel operating subsidiary of Regal and in 2015 generated for Regal REIT their first full year cash rental receipts for a total of HK\$166.8 million.

Regal REIT now owns a total of eight operating hotels in Hong Kong, with an aggregate of 4,569 guestrooms and suites. The current portfolio of properties comprises a good mixture of full-service type hotels and select-service type hotels in strategic locations, which can cater to different demands from a wide range of business and leisure visitors to Hong Kong. The REIT Manager will constantly review the performance of each property and evaluate any potential yield enhancement opportunities.

As reported earlier, the independent unitholders of Regal REIT have at an extraordinary general meeting of Regal REIT held on 14th April, 2015 approved, among others, the extension of the existing lease agreements for the five initial Regal Hotels for another 5 years to 31st December, 2020, with the market rental packages for the extended terms continuing to be determined annually by a jointly appointed independent professional property valuer.

Hotel operations

Apart from the iclub Wan Chai Hotel, all the five initial Regal Hotels and the two latest iclub Sheung Wan Hotel and iclub Fortress Hill Hotel are under lease to the wholly owned hotel operating subsidiary of Regal for hotel operations.

For the year under review, the five initial Regal Hotels have as a whole managed to achieve relatively satisfactory performance amidst a competitive environment. The combined average occupancy rate for 2015 was 86.1%, which was in-line with the market average, while the average room rate has dropped by 6.0% year-on-year. These translated into a decrease in RevPAR of 12.4% which, nevertheless, was comparatively better than the industry norm.

Total hotel revenue for the five initial Regal Hotels for the year amounted to HK\$1,894.6 million, a slight decrease of 6.6% from the HK\$2,028.6 million in the preceding year. Total net property income amounted to HK\$796.3 million, which represented an excess of HK\$33.3 million over the aggregate annual base rent of HK\$763.0 million for 2015, 50% of which was attributable to Regal REIT as variable rent.

It is worth mentioning that, apart from various other awards obtained, the Regal Airport Hotel has been awarded in 2015 “The Best Airport Hotel in the World” by Business Traveller UK Magazine for the 8th consecutive year and “The Best Airport Hotel in Asia-Pacific” by Business Traveller Asia-Pacific Magazine for the 15th consecutive year. Benefiting from the growing traffic at the Hong Kong International Airport, the Regal Airport Hotel is frequented by business travellers and is also a favourite venue for the hosting of major meetings and conferences and, for the year under review, has been able to achieve a net property income which is higher than the level attained in 2014.

Due to the increased banqueting functions, the overall food and beverage businesses for the five initial Regal Hotels have achieved improvements and generated aggregate revenues of HK\$626.8 million, representing an increase of 7.9% over that in 2014.

2015 was the first full year of operations for both the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, which commenced business operations in June and September, 2014, respectively. The combined average occupancy rate for these two hotels for the year was 85.6% but, due to the competitive market conditions, their combined average room rate was 14.7% below the level attained in the preceding year, particularly that the period in which they operated in 2014 was comparatively the higher season. As new starters in such a competitive environment, the growth in the hotel businesses attained by these two hotels since their commencement of operations could be considered as satisfactory. Although the net property income for both the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel for 2015 is below the fixed base rent payable to Regal REIT, under the agreed arrangements with P&R Holdings, which is the vendor of the hotels, any shortfall in the income from the operation of the two hotels below the lease payments payable by the lessee during the first three years of the lease terms will be fully reimbursed to the lessee by P&R Holdings.

As mentioned above, the lease terms for the five initial Regal Hotels have been extended for five years to 31st December, 2020 and the market rental review for 2016 has also been completed in September 2015. The annual base rent for 2016 was determined at HK\$732.0 million, reflecting a slight reduction of 4.1% below the annual base rent of HK\$763.0 million for 2015, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income of the five hotels over the aggregate base rent.

The La Mola Hotel & Conference Centre located in Barcelona, Spain was acquired by the Regal group in October 2014. The hotel is presently operated under an external franchise arrangement. The Regal group is now finalising plans to remodel and upgrade the hotel to an international 5-star standard and the works are expected to be commenced within 2016.

To meet the challenges ahead, the Regal group is continuing to streamline its hotel operating structure and to take advantage of its scale of operations through the centralisation of a number of operating functions, with a view to further containing operating costs. The Regal group will also continue to commit resources to enhance its marketing network and to promote the brand awareness of the Regal Hotels.

Hotel management

Regal Hotels International Limited, the wholly owned management arm of Regal, is the hotel manager providing hotel management services to all the five full-service Regal Hotels and the three select-service iclub Hotels owned by Regal REIT in Hong Kong.

In China, the Regal group is now providing hotel management services to nine operating hotels, including four in Shanghai, two in Dezhou, one in Xi'an, and the latest two in Foshan and Zhengzhou. The Regal Financial Center Hotel in Foshan is a luxury hotel that was opened in December 2015, which provides 230 guestrooms, 3 restaurants, a 500 square metres pillarless ballroom and 11 multi-function rooms. Most recently, the first iclub hotel managed by the Regal group in China, the iclub Yuhong Hotel in Zhengzhou, was officially opened in February 2016, providing 186 guestrooms and a café for business and leisure travellers. Six other hotels are in the pipeline for opening in 2017 and 2018.

The Regal group is also managing the La Mola Hotel & Conference Centre which it owns in Barcelona.

Properties

As mentioned above, the Regal group holds a 50% joint venture interest in P&R Holdings, through which its property development and investment businesses are presently principally conducted.

The Regal group sold in May 2015 one of the retained houses in Regalia Bay, Stanley and the profit derived has been reflected in its results under review. Most recently, in March 2016, a formal

agreement has been entered into for the sale of another vacant house. The Regal group still retains a total of 17 luxury garden houses in Regalia Bay, while certain of these houses will be held for rental income, the other retained houses will continue to be disposed of on appropriate terms from time to time.

Other investments

The Regal group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products, including the holding of approximately 12% interest in the issued shares of Asia Standard Hotel Group Limited, a company listed in Hong Kong principally engaged in hotel and investment businesses. Despite the volatilities in the financial and capital markets, the Regal group's investment portfolio has generated a positive profit contribution during the year.

The Regal group first embarked on the aircraft ownership and leasing business in 2012 with the acquisition of an Airbus A321-211 aircraft, followed by the acquisition in 2013 of an 85% interest in another Airbus A321-200 aircraft. In 2015, the Regal group successfully expanded its fleet of aircraft with the acquisitions in February and November, respectively, of a total of 16 Embraer aircraft for an aggregate purchase price of US\$48.5 million, four of which have subsequently been sold since their acquisitions during the year, realising satisfactory capital profits. As at 31st December, 2015, the Regal group's aircraft fleet comprises a total of 14 aircraft, including two Airbus A321 model aircraft and 12 Embraer ERJ-135 and ERJ-145 model aircraft. Except for one Airbus aircraft which is 85% owned, all the other aircraft are wholly owned, of which twelve are under leases to airline operators operating in different parts of the world and yielding steady recurring rental income. The other two Embraer remaining aircraft are pending disposal. The Regal group plans to further expand its aircraft ownership and leasing business, including the size and the composition of its aircraft fleet, with the objective that this new line of business will ultimately be developed into a separately operated business unit.

2.2.3 COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2015, Cosmopolitan recorded a consolidated loss attributable to shareholders of HK\$344.9 million, as compared to a loss of HK\$127.4 million for year 2014.

The increase in the loss reported for 2015 was mainly due to the recording of a fair value loss of HK\$146.4 million on derivative financial instruments in relation to the subscription option to subscribe for the optional convertible bonds granted in conjunction with the issue of the convertible bonds due 2017 of the Cosmopolitan group in August 2014 and an impairment loss of HK\$57.0 million on certain property under development. These losses are non-cash in nature and, in particular, the recognition of the fair value loss on derivative financial instruments is purely to conform to applicable accounting standards and will not have any ultimate impact on the financial position of the Cosmopolitan group.

Furthermore, it should also be noted that while the presale programme for the residential units in the Cosmopolitan group's composite development in Tianjin in the PRC has progressed satisfactorily, in accordance with the current accounting standards, profits from the presale of development properties in China will only be recognised after completion of the construction works and the handover of the properties to the purchasers.

As at 31st December, 2015, the Cosmopolitan group recorded net current liabilities of HK\$183.6 million, as the outstanding balance of the consideration payables aggregating HK\$2,881.9 million due to the vendors in relation to its acquisition of the interests in the two property development projects in Chengdu and Tianjin in 2013, repayable on or before 13th September, 2016, is now recorded as current liabilities. The existing repayment date for the consideration payables was originally set by reference to the development and sale schedules for the two development projects formulated at the time of their acquisitions. However, due to the slowdown in the property market of China as a whole since 2013, the progress of the two developments has lagged behind the original projections.

The programme for the presale of the residential units in the Tianjin development commenced in October 2015 and the progress achieved so far has been satisfactory. In the meantime, the presale of the residential units in the Chengdu development has been planned to be launched in the second quarter of 2016. The vendors of the Chengdu and Tianjin projects, to whom the consideration payables are owed, are effectively subsidiaries of P&R Holdings and Regal, respectively. The Cosmopolitan group is formulating proposals for discussions with the vendors, with a view to rescheduling the repayment date for the consideration payables to align with the latest development and sale schedules for the two development projects, which will be subject to the requisite approvals by the shareholders of the relevant companies.

The core business undertakings of the Cosmopolitan group principally comprise the aforesaid two composite property development projects in Tianjin and in Chengdu in Sichuan Province.

Since the beginning of 2015, the Chinese Government has been relaxing the fiscal policies controlling the property market in China, including the uplifting of the property purchase restrictions in most of the cities and the lowering of the amounts of the down payments for end user financings, with the objective to gradually reducing the high level of inventories in the primary property market. These policy changes, coupled with the increased liquidity injected into the economy through the financial sectors, have stimulated the demands from end users and investors for the residential properties in the first tier cities, with the hike in the property prices in Shenzhen most noticeable. It is expected that this positive momentum will gradually diffuse into the property market in the second and third tier cities.

Benefitting from the policy changes and its proximity to the capital city of Beijing, the property market in Tianjin has substantially improved in 2015. There are four residential towers and a commercial complex under construction in the Cosmopolitan group's composite development in the Hedong District in Tianjin. Two of the residential towers comprising 256 apartment units have been

put onto the market for presale since October 2015. Up to the date of release of final results announcement of Century City for the year ended 31 December 2015, more than 96% of the marketed residential units have been presold, realising contracted sale considerations in excess of RMB671 million. The remaining two residential towers and the commercial complex are presently planned to be marketed for presale later in 2016.

In the meantime, the construction works of three residential towers comprised within the first stage of the composite development undertaken by the Cosmopolitan group in Chengdu are expected to be completed before the end of 2016 and the presale of the units is planned to be launched within the next quarter. The construction works of six other residential towers comprised within the second stage of the development are scheduled to be completed in the second quarter of 2017 and the units presale is expected to be launched before the end of 2016.

After the year end, in January 2016, the Cosmopolitan group entered into a framework agreement with an independent third party to form a joint venture to invest in a licensed logistics services provider in Shanghai, China. If the proposed joint venture is successfully implemented, the Cosmopolitan group and the third party will come to own, respectively, 60% and 40% shareholding interests in the logistics group. The amounts payable to the third party under the various transactions on the formation of the joint venture aggregate to HK\$57.05 million and will be satisfied through the issue of convertible bonds by the Cosmopolitan group, convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.35 per share. As part of the contemplated transactions, the logistics group will also be granted an option to acquire the properties at which the logistics services are now being operated as well as certain other related property interests.

The Cosmopolitan group considers that this proposed investment in the logistics group is in line with its investment strategy. The Cosmopolitan group anticipates that, through the proposed joint venture with the third party, it will be able to diversify and broaden its business portfolio through the expansion and development of the business of the logistics group and to capitalise on the increasing market demands for logistics services by e-commerce merchants in China. The implementation of the framework agreement is conditional on a number of conditions precedent being satisfied on or before 12th April, 2016, as recently extended. Further details on the terms of and the proposed arrangements under the framework agreement are contained in the announcement of Cosmopolitan dated 13th January, 2016.

2.3 OUTLOOK

Regal Group

The market conditions for the tourist and hotel industry in Hong Kong in the first two months of 2016 have continued to be competitive and challenging. Moreover, the divergent socio-political sentiments presently prevailing in Hong Kong, the slowing down of the pace of economic growth in China and the increased geopolitical tensions and volatilities in the financial markets globally are creating additional uncertainties.

In an effort to support the local tourism and to uphold Hong Kong's image as one of the preferred travel destinations in the world, the Hong Kong Government and the Hong Kong Tourism Board have since last year organised, on top of all its regular programs, a series of marketing and promotional events including the Hong Kong Summer Fun campaign in June 2015 and the setup of the Matching Fund for Overseas Tourism Promotion by Tourist Attractions in last September. It is also anticipated that the Hong Kong Government will continue to commit sufficient resources to develop and expand new tourism attractions and to enhance and upgrade all infrastructural facilities, ensuring that Hong Kong will have sufficient capacities to accommodate and serve the demands of an increasing number of global and regional visitors.

The Regal group strongly believes in the resilience of Hong Kong and in its ability to maintain its position as a favourite tourist destination, for both business and leisure travellers alike. Although it is not expected that there could be a speedy recovery in the local tourism and hotel markets within the very near term, the Regal group remains confident of their long term prospects. Regal REIT is the only listed hospitality REIT with market concentration in Hong Kong and the REIT Manager is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotels owners in Hong Kong. The REIT Manager will continue to prudently review acquisition opportunities, both locally and overseas, which can serve to strengthen and broaden the revenue base of Regal REIT.

The Regal group has a solid asset base, distributed amongst hotels, properties and other investments, which is generating steady recurring revenues. The directors of Regal anticipate that the global economies in 2016 may continue to be volatile. While the Regal group will strive to strengthen and build on its existing core businesses, it will also closely monitor, albeit cautiously, any available acquisition and investment opportunities which are beneficial to its ongoing development.

Cosmopolitan Group

The Cosmopolitan group believes that the economy of China will slowly stabilise and, with the policy support of the government, the property market in the second and third tier cities will gradually revive. The two core development projects of the Cosmopolitan group in Tianjin and Chengdu are overall progressing satisfactorily. It is expected that when these projects are fully completed and sold, they will generate to the Cosmopolitan group substantial cash flow and satisfactory profit contribution.

Paliburg Group

While there could still be some further consolidation in the property market in Hong Kong, the long term outlook for the real estate sector as a whole remains positive, due to the strong underlying demands.

As the profits from the presale of development properties will only be recognised on project completion, the profit contributions from the development properties might be unevenly distributed over a period of time. Apart from the development project at Tan Kwai Tsuen Road in Yuen Long which has recently been completed, all the other existing development projects are scheduled to be

completed within the course of the next few years. While a majority of these projects is planned for sale for development profits, certain of these projects such as the shopping arcade development in Ma On Shan, Sha Tin is intended to be retained for investment purposes to strengthen the Paliburg group's recurring income base.

In anticipation of the scheduled disposals of the projects within its existing portfolio, the Paliburg group will take active steps to replenish its development land bank, with a view to securing a steady stream of development profits as well as recurring rental revenues in the coming years.

Overall, the directors of Paliburg are optimistic of the future profitability of the Paliburg group, which should generate for its shareholders capital appreciation as well as satisfactory investment returns.

Century City Group

Although the economic conditions in Hong Kong and globally may be faced with some uncertainties in the period ahead, the Directors are confident that with the Group's solid asset base and strong liquidity, the Group is well poised for continuing growth.

2.4 CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources and proceeds from the presale of the units. Project financing may be arranged in local currency on appropriate terms to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Group's banking facilities are 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 is kept under review by the Group's management from time to time. As the Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain the Group's exposure to currency fluctuation.

Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK\$256.3 million (2014 - HK\$88.6 million). Net interest payment for the year amounted to HK\$277.2 million (2014 - HK\$299.9 million).

Borrowings and Gearing

As at 31st December, 2015, the Group had cash and bank balances and deposits of HK\$2,678.8 million (2014 - HK\$3,506.2 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$11,059.2 million (2014 - HK\$9,851.7 million).

As at 31st December, 2015, the gearing ratio of the Group was 29.3% (2014 - 26.3%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$11,059.2 million (2014 - HK\$9,851.7 million), as compared to the total assets of the Group of HK\$37,738.8 million (2014 - HK\$37,391.8 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2015 are as follows.

Interest bearing bank borrowings

	2015		2014	
	<i>Maturity</i>	<i>HK\$'million</i>	<i>Maturity</i>	<i>HK\$'million</i>
Current				
Bank loans - secured	2016	1,271.7	2015	1,375.9
Non-current				
Bank loans - secured	2017-2019	8,247.6	2016-2019	7,770.8
		<u>9,519.3</u>		<u>9,146.7</u>

Analysed into:	2015	2014
	<i>HK\$'million</i>	<i>HK\$'million</i>
Bank loans repayable:		
Within one year	1,271.7	1,375.9
In the second year	1,635.7	191.4
In the third to fifth years, inclusive	6,611.9	7,579.4
	<u>9,519.3</u>	<u>9,146.7</u>

The agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$300.0 million (the “2013 IH Facilities”) was entered into on 23rd July, 2013 by Regal REIT group, through its wholly owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five initial Regal Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. On 23rd July, 2015, Regal REIT group cancelled the HK\$300.0 million revolving loan facility under the 2013 IH Facilities as it had other unutilised revolving loan facilities available which bear lower rates of interest. As at 31st December, 2015, the outstanding amount under the 2013 IH Facilities was HK\$4,500.0 million, comprising the full amount of the term loan facility. The Regal REIT group entered into interest rate swap arrangements to hedge against interest rate exposure for the term loan facility for a notional amount of HK\$3.0 billion, details of which are set out in note 32 to the financial statements as set out in the 2015 Annual Report.

On 22nd December, 2014, a term loan facility agreement for a principal amount of HK\$440.0 million (the “2014 WC Facility”) was entered into, for a term of 5 years to December 2019 by Sonnix Limited, a wholly owned subsidiary of Regal REIT group. The 2014 WC Facility, secured by the iclub Wan Chai Hotel, was fully drawn with the proceeds having been applied mainly for the repayment of the previous term loan facility which was entered into in 2012. As at 31st December, 2015, the outstanding amount on the 2014 WC Facility was HK\$440.0 million.

On 10th February, 2014, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the “2014 SW Facilities”), secured by the iclub Sheung Wan Hotel. The 2014 SW Facilities have a term of five years to February 2019. As at 31st December, 2015, the utilised 2014 SW Facilities amounted to HK\$632.0 million.

On 28th July, 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (the “2014 FH Facilities”), secured by the iclub Fortress Hill Hotel. The 2014 FH Facilities have a term of five years to July 2019. As at 31st December, 2015, the utilised 2014 FH Facilities amounted to HK\$660.0 million under the term loan facility and part of the revolving loan facility amounted to HK\$70.0 million.

At 31st December, 2015, the outstanding loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rate (“HIBOR”) plus an interest margin ranging from 1.4% to 1.62% per annum (2014 - ranging from 1.4% to 1.62% per annum).

Bank borrowings under the 2013 IH Facilities, the 2014 WC Facility, the 2014 SW Facilities and the 2014 FH Facilities are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group's interest bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

At 31st December, 2015, the Group's other bank borrowings bear interest at HIBOR plus 1.5% to 1.75% per annum (2014 - HIBOR plus 0.9% to 2.69% per annum) except for a bank loan of HK\$18.5 million (2014 - HK\$230.0 million, in aggregate), which bears interest at the bank's cost of fund plus 0.75% per annum (2014 - bank's cost of fund plus 0.75% per annum). The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 40 to the financial statements as set out in the 2015 Annual Report.

At 31st December, 2015, all interest bearing bank borrowings are denominated in Hong Kong dollars except for a bank loan of HK\$18.5 million which is denominated in Euro.

As at 31st December, 2014, all interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$209.5 million, in aggregate, which were denominated in United States dollars and a bank loan of HK\$20.5 million which was denominated in Euro.

Other borrowings

	2015 <i>HK\$'million</i>	2014 <i>HK\$'million</i>
Unsecured other borrowings repayable:		
In the second year	2,289.4	—
In the third to fifth years, inclusive	1,929.3	4,211.2
	<u>4,218.7</u>	<u>4,211.2</u>

On 5th October, 2012, RH International Finance Limited (the "MTN Issuer"), a wholly owned subsidiary of RHIHL, established a US\$1,000 million medium term note programme guaranteed by RHIHL (the "MTN Programme").

On 19th October, 2012, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount.

On 11th January, 2013, R-REIT International Finance Limited (the “Regal REIT MTN Issuer”), a wholly owned subsidiary of Regal REIT, established a US\$1,000 million medium term note programme (the “Regal REIT MTN Programme”).

On 22nd March, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme 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. The notes were issued at a discount at 99.44% of the principal amount.

On 22nd May, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme 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. The notes were issued at a discount at 99.553% of the principal amount.

Pledge of Assets

As at 31st December, 2015, certain of the Group’s property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$18,745.8 million (2014 - HK\$17,861.1 million) were pledged to secure general banking facilities granted to the Group and, in addition, certain of the 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\$462.1 million (2014 - HK\$454.6 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2015, certain ordinary shares in a listed subsidiary with a market value of HK\$406.5 million (2014 - HK\$445.0 million) were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

The Group had the following capital commitments at the end of the reporting period:

	2015	2014
	<i>HK\$'million</i>	<i>HK\$'million</i>
Contracted, but not provided for:		
Property development projects	2,615.8	2,292.9
Aircraft	<u>—</u>	<u>253.7</u>
	<u>2,615.8</u>	<u>2,546.6</u>

Contingent Liabilities

A subsidiary of the Cosmopolitan Group is currently a defendant in two outstanding litigation claims relating to the re-forestation project located in Xinjiang in the PRC. Based on the advice from the Cosmopolitan Group's legal counsel, the litigation claims are pending verification and/or the Cosmopolitan Group has good grounds of defence against the allegations. Accordingly, the Directors consider that it is appropriate to disclose such claims in an aggregate amount of approximately RMB1,771,000 (HK\$2,091,000) as contingent liabilities and no provision has been made in the financial statements.

2.5 MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the year under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

2.6 STAFF AND REMUNERATION POLICY

The Group employs approximately 2,330 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

With a view to providing long term incentives, the Company, PHL and RHIHL maintained the share option schemes named as "The Century City International Holdings Limited Share Option

Scheme”, “The Paliburg Holdings Limited Share Option Scheme” and “The Regal Hotels International Holdings Limited Share Option Scheme”, respectively, under which share options had been granted to selected eligible persons. The life of all of the share option schemes of the Company, PHL and RHIHL ended on 15th June, 2015.

3. MANAGEMENT DISCUSSION AND ANALYSIS ON THE CENTURY CITY GROUP FOR THE YEAR ENDED ENDED 31 DECEMBER 2014

Set out below is the management discussion and analysis on the Century City Group as extracted from the annual report of Century City for the year ended 31 December 2014 (the “2014 Annual Report”). Terms used below follow the meanings as set out in the 2014 Annual Report.

3.1 FINANCIAL RESULTS

For the year ended 31st December, 2014, the Group achieved a consolidated profit attributable to shareholders of HK\$196.6 million, as compared to the profit of HK\$202.0 million recorded for 2013.

The Group as a whole has maintained steady performance during the year under review. The Group’s operating profit before depreciation, finance costs and tax for the year amounted to HK\$1,201.9 million (2013 — HK\$1,224.5 million). However, as previously explained, the hotel properties owned within the Group are classified in the Group’s financial statements as property, plant and equipment and are subject to depreciation to accord with the accounting standards. Accordingly, depreciation charges in an aggregate amount of HK\$472.6 million in respect of the Group’s hotel properties have been provided in the financial results under review which, though having no impact on cash flow, have adversely affected the overall reported profit.

3.2 BUSINESS OVERVIEW

As the ultimate holding company of the Century City Group, the Company has always been on the watch out for appropriate business and investment opportunities that can strengthen and expand the Group’s business operations and revenue streams.

The Group first initiated in July 2012 the investment in the aircraft leasing business, with the acquisition by a wholly owned subsidiary of an 84.9% effective interest in a Boeing 737-800 aircraft. The aircraft is under lease to an airline operating in Korea and yielding satisfactory lease income.

Through this business platform, Regal Hotels International Holdings Limited, a listed subsidiary of the Company, has since acquired two aircraft, one Airbus A321-211 in December 2012 and one Airbus A321-200 in July 2013. More recently, Regal has further acquired a fleet of twelve Embraer aircraft in February 2015. Further information on this new investment by Regal is contained in the “Other Investments” subsection below.

The Group as a whole now owns a fleet of 15 aircraft, all of which are under leases to airline operators; save for two aircraft which are majority-held, all the other aircraft are wholly owned. The Group's management is getting directly involved with the professional asset manager on the management aspects of the aircraft leasing business and is planning ahead for the formation of an integrated aircraft leasing business unit.

The Group is reactivating the financing business of Cityline Finance Limited, a wholly owned subsidiary of the Group with a money lender's licence. Cityline will initially focus primarily on property mortgage lending business. If circumstances are appropriate, Cityline can also be made available as a platform for participation by other subsidiary members of the Group.

The Century Innovative Technology group ("CIT") is principally engaged in the production and distribution of online and offline educational entertainment ("edutainment") under the "Bodhi and Friends" brand, focusing primarily on the China market. CIT has achieved substantive progress in the development of its edutainment businesses during the past year and is formulating a corporate plan that will best suit its future development, in anticipation of the rapid expansion of its businesses. Further detailed information in relation to the shareholding structure and business operations of CIT is contained in the section headed "Management Discussion and Analysis" in the 2014 Annual Report.

The Century City Group now comprises five listed companies, with the Company acting as the ultimate holding company of the conglomerate. As at 31st December, 2014, the Company held 62.2% shareholding interest in Paliburg Holdings Limited, the immediate listed subsidiary of the Company. Paliburg held 64.9% shareholding interest in Regal which, in turn, held 74.6% interest in the issued units of Regal Real Estate Investment Trust. Through P&R Holdings Limited, a joint venture 50:50 owned by each of Paliburg and Regal, the Group held a 64.3% shareholding interest in Cosmopolitan International Holdings Limited.

3.2.1 PALIBURG HOLDINGS LIMITED

For the year ended 31st December, 2014, Paliburg achieved a consolidated profit attributable to shareholders of HK\$283.7 million, as compared to the profit of HK\$322.9 million recorded for 2013.

Business operations of the Paliburg group for the year under review have on the whole performed satisfactorily and attained operating profit before depreciation, finance costs and tax of HK\$1,163.2 million (2013 — HK\$1,209.6 million, which included the gain of HK\$136.2 million from the sale of the Tianjin Project by Regal, a listed subsidiary of the Paliburg group, to Cosmopolitan, prior to its becoming a subsidiary of the Paliburg group). Likewise, the hotel properties owned by Regal REIT are classified in the Paliburg group's financial statements as property, plant and equipment and, consequently, depreciation charges in an aggregate amount of HK\$472.6 million have thus been provided in the Paliburg group's financial statements for the year which have adversely affected its reported profit.

Following the implementation of a series of corporate transactions over the course of the past two years, the corporate and asset holding structure of the Paliburg group has been clearly delineated. Regal, the most significant subsidiary of Paliburg, is principally engaged in the hotel operating

business and is also the joint venture partner with Paliburg in P&R Holdings. Regal also holds a controlling interest in Regal REIT, which is principally engaged in hotel ownership and leasing businesses. The Paliburg group's core property development and investment businesses in Hong Kong are now primarily undertaken through P&R Holdings, while those in the People's Republic of China are undertaken through Cosmopolitan.

The Paliburg group has further increased its shareholding interest in Regal from 58.2% as at 31st December, 2013 to 64.9% as at 31st December, 2014, through market purchases by the Paliburg group and share buybacks by Regal. Due to the substantial discount of the traded market price of the shares of Regal to its underlying asset value, these purchases and buybacks have effectively enhanced the underlying net asset value of the shares of Paliburg as well as that of the Company.

Further information on the latest progress of the Paliburg group's property business as well as the financial results and operational review of Regal (including those of Regal REIT) and Cosmopolitan are presented below.

During the year under review, newly built smaller-sized residential apartment units in Hong Kong continued to be in strong demand, while the property market for the other sectors as a whole has been affected by the hefty stamp duty levied by the Government, particularly for non-local residents. The Government of Hong Kong plans to maintain a steady supply of development lands, in an attempt to balance the supply and demand, through government land tenders. Like in the past, the Paliburg group will continue to actively participate in these government tenders, primarily through P&R Holdings.

As mentioned in the 2014 Interim Report, P&R Holdings have completed the disposals of two of its hotel developments, namely, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, to Regal REIT in February and July of 2014, respectively, for an aggregate consideration of HK\$3,232.5 million. These disposals have generated significant cash flow to P&R Holdings, but the substantial profits pertaining to these disposals have not been reflected in the Paliburg group's financial statements for the year under review due to elimination in accordance with the accounting standards under the current corporate holding structure.

There are six ongoing development projects currently undertaken by P&R Holdings, which are, respectively, in the order of their scheduled completion, a residential project in Yuen Long, a hotel project in To Kwa Wan, a residential project in Kau To, Shatin, a shopping mall development in Ma On Shan, a commercial/residential joint venture development project with the Urban Renewal Authority of Hong Kong in Sham Shui Po and another hotel project in Sheung Wan.

The residential project at Tan Kwai Tsuen Road in Yuen Long is expected to be completed in the second quarter of 2015. The project provides a total of 170 residential units, comprising 36 luxurious garden houses and 134 studio apartment units. The application for the presale consent has been submitted, which is anticipated to be issued in the near future. The presale programme for the apartment units is planned to be launched shortly after the presale consent is obtained, to be followed by the garden houses.

Further details on the development projects and properties of P&R Holdings are contained in the section headed “Management Discussion and Analysis” in the 2014 Annual Report.

3.2.2 REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2014, Regal achieved a consolidated profit attributable to shareholders of HK\$410.3 million, an increase of approximately 60% as compared to the profit of HK\$256.9 million attained in 2013.

During the year under review, the core hotel operations of the Regal group continued to attain satisfactory performance, despite some adverse effects on the business operations of certain of its hotels during the “Occupy Central” activity in the last quarter of 2014, which was traditionally the high season for the hotel sector. The operating profit before depreciation, finance costs and tax of Regal for the year amounted to HK\$1,160.4 million, as compared to HK\$1,058.3 million for the preceding year. Depreciation charges on its hotel properties amounted to HK\$420.7 million in 2014 which, though not of a cash nature, have nonetheless adversely affected its reported profit.

Hotel market overview

During the year under review, the worldwide economy showed signs of divergence. In late October 2014, the US Federal Reserve officially ended the “QE3”, in the light of a gradual recovery in the US economy; while the economies in the Eurozone and Japan remained stagnant. In the PRC, Gross Domestic Product (GDP) increased by 7.4% year-on-year, representing a drop of 0.3% as compared to the preceding year. Meanwhile, the GDP of Hong Kong increased moderately by 2.3%, but reflecting a negative growth of about 0.6% as compared to 2013.

In 2014, visitor arrivals to Hong Kong surged by 12.0% year-on-year to a total of over 60.8 million, with visitors from the Mainland China accounting for more than 77% of the total count. More than half of the visitor arrivals were same day visitors, which have no direct impact on the local 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 2014 was 90%, a year-on-year increase of 1% over 2013, while the industry-wide achieved average room rate recorded a slight upward adjustment of 1.8%.

Hotel ownership

Regal REIT

As at 31st December, 2014, the Regal group held approximately 74.6% of the total outstanding issued units of Regal REIT while Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager.

For the year ended 31st December, 2014, Regal REIT achieved a consolidated net profit before distributions to unitholders of HK\$238.5 million, as compared to HK\$342.6 million recorded for the year 2013. The decrease in its consolidated net profit reported for 2014 was attributable to an

accounting loss of HK\$266.9 million arising mainly from the fair value changes in the appraised values of the five initial Regal Hotels between the two year end dates, having taken into account the amount of capital expenditure incurred. If the effects of these fair value changes are excluded, the core profit before distributions to unitholders for the year under review would amount to HK\$505.4 million, representing an increase of 16.6% over the corresponding amount of HK\$433.3 million for the year 2013. Benefitting from the increased rental income, including the new rental receipts from the two latest iclub Hotels in Sheung Wan and Fortress Hill acquired in 2014, the total distributable income of Regal REIT for the year under review amounted to HK\$532.9 million, which was an increase of 7.2% over the HK\$497.1 million reported last year.

The five initial Regal Hotels in Hong Kong, as well as the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel both acquired in 2014, are leased to a wholly owned subsidiary of the Regal group. The iclub Wan Chai Hotel — which is owned and self-operated by Regal REIT, continued to enjoy strong demand and maintained virtually full occupancy for the second consecutive year, although its average room rate was modestly down by 2.6% due to keen competition within the Wan Chai area.

The latest acquisitions by Regal REIT have increased the coverage of its hotel property portfolio on select-service hotels in strategic locations, enabling it to capture a wider range of business and leisure visitors. Regal REIT now owns a total of eight operating hotels in Hong Kong, boosting an aggregate of 4,569 guestrooms and suites.

The amendments to the Code on Real Estate Investment Trusts proposed by the Securities and Futures Commission, which will allow REITs in Hong Kong to undertake property development activities and to invest in certain financial instruments subject to prescribed thresholds and control measures, became effective from 29th August, 2014. Accordingly, the REIT Manager has proposed corresponding changes to the Trust Deed constituting Regal REIT which, if approved by the unitholders of Regal REIT at its extraordinary general meeting to be held on 14th April, 2015, will provide flexibility to Regal REIT with an expanded investment scope in line with the amendments to the REIT Code. Details of the proposed changes are contained in a circular to the unitholders of Regal REIT dated 13th March, 2015.

Hotel operations

The Regal group's hotel operations enjoyed positive growth during the first nine months of 2014, but the hotel business was unfortunately affected by the "Occupy Central" activity from late September to mid-December 2014, which was traditionally the high season. Nevertheless, the combined average occupancy rate for the five initial Regal Hotels for the year 2014 as a whole was maintained at 92.4% as compared to 90.2% in 2013, while the average room rate enhanced by 2.6% year-on-year, both outperforming the industry average. The total net property income generated by these hotels for the year amounted to HK\$918.1 million, which represented an excess of HK\$175.1 million over the aggregate annual base rent of HK\$743.0 million, 50% of which was attributable to Regal REIT as variable rent.

As mentioned above, the wholly owned lessee of the five initial Regal Hotels has also leased the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel from Regal REIT for hotel operations. These two hotels commenced business operations in June and September 2014, and maintained for the period to 31st December, 2014 an occupancy level of about 90.0% and 82.3%, respectively, which could be considered as satisfactory for new starters, taking into consideration the impact of the “Occupy Central” activity. Under the agreed arrangements with P&R Holdings, which was the vendor of the hotels, any shortfall in the income from the operation of the two hotels below the lease payments payable by the lessee during the first three years of the lease term will be fully reimbursed by P&R Holdings.

The rental review for the leasing of the five initial Regal Hotels for 2015 was completed in August 2014. The aggregate annual base rent for 2015 has been determined at HK\$763.0 million, reflecting a moderate increase of 2.7% over the annual base rent of HK\$743.0 million for 2014, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income of the initial hotels over the aggregate base rent.

The existing leases of these five hotels are due to expire on 31st December, 2015. The Regal group has recently entered into various conditional supplemental agreements with Regal REIT, essentially to extend the lease term to 31st December, 2020, with the Market Rental Packages for the extended term continuing to be determined annually by a jointly appointed independent professional property valuer. The lease extensions are subject to approval by the independent unitholders of Regal REIT at its EGM on 14th April, 2015. Detailed information regarding these lease extensions is also contained in the circular to the unitholders of Regal REIT dated 13th March, 2015.

Hotel ownership business within the Regal group is, and will continue to be, principally conducted through Regal REIT, but under its current investment strategy, Regal REIT would normally acquire only those hotel and property assets that are income producing and yield accretive. In October 2014, the Regal group acquired, through a wholly owned subsidiary, the La Mola Hotel & Conference Centre located in Barcelona, Spain, a property that was incurring operating loss and in a distressed financial situation. The property is a 4-star luxury hotel completed in 2008 with about 186 rooms situated on the outskirts of Barcelona neighbouring a major category golf course. The property is now operating under the management of the Regal group and a revamping programme for this property is being planned. As the hotel was acquired by the Regal group at a price significantly below its replacement cost and the independent market valuation, a gain on bargain purchase of approximately HK\$35.0 million arising from this acquisition has been accounted for in the financial results for the year under review.

The Regal group will continue to invest resources in the enhancement of the marketing network and internet connectivity of its hotels, with the aim to increasing the share of the online bookings through our own reservation platform, which could further improve profit margins.

Hotel management

All the five full-service Regal Hotels as well as the three select-service iclub hotels operating in Hong Kong are managed by Regal Hotels International Limited, the wholly owned management arm of the Regal group in Hong Kong.

The Regal group is managing six operating hotels in the PRC, four in Shanghai, one in Dezhou and the latest one, the Regal Airport Hotel, Xi'an, which was soft opened in February 2015. Three more hotels to be managed by the Regal group are scheduled to be opened later within 2015, respectively, the Regal Kangbo Hotel and Residence in Dezhou, the Regal Financial Center Hotel in Foshan and the iclub Yuhong Hotel in Zhengzhou, while six other hotels will be in the pipeline for opening in 2016 and 2017.

As mentioned above, the Regal group is also directly managing the La Mola Hotel & Conference Centre in Barcelona.

Properties

The Regal group directly owns a 50% equity interest in P&R Holdings, the joint venture established by Regal and Paliburg primarily to undertake property development business.

The Regal group still owns 19 luxury garden houses in Regalia Bay, Stanley, which command substantial values. Due to the hefty transaction duties imposed by the Government, the property market for the high end residential sector in Hong Kong was relatively weak as compared to the lower end sector. Given the scarcity of supply of garden houses on the Hong Kong Island, the Regal group is hopeful that the values of the retained houses in Regalia Bay will gradually appreciate. In the meantime, 4 of these retained houses are under leases to external parties for rental income.

Other investments

The Regal group maintains a sizable portfolio of listed securities and other investments, including the investment in approximately 10% of the issued shares of Asia Standard Hotel Group Limited, a company listed in Hong Kong principally engaged in hotel and investment businesses.

The Regal group has over the past two years been actively working to expand its investments in the aircraft leasing business, with a view to supplementing its earnings base with an additional recurrent income stream. The Regal group first acquired in December 2012 an Airbus A321-211 and then in July 2013, through an 85% owned subsidiary, another Airbus A321-200. The two aircraft have been leased to two separate airline operators yielding satisfactory lease income.

More recently, in September 2014, the Regal group entered into a Proposal Letter with a third party seller that is a wholly owned subsidiary of Embraer S.A., an aircraft manufacturer, for the proposed acquisition of a fleet of eighteen passenger aircraft manufactured by Embraer S.A.. After further negotiations with the seller based on the terms of the Proposal Letter and the subsequent Purchase Agreement, the Regal group has completed in February 2015 the acquisition of twelve

Embraer aircraft, out of the original fleet of eighteen aircraft, at an adjusted aggregate purchase price of US\$34.5 million. All these twelve aircraft are under leases to different airline operators operating in South Africa, the United States of America, Lithuania, Australia and Mexico, with lease rentals fixed at satisfactory levels. Detailed information regarding this acquisition is contained in the various joint announcements on this subject matter recently published by the Company.

The Regal group may consider investing further in the aircraft leasing business if and when there are appropriate investment opportunities.

3.2.3 COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2014, Cosmopolitan recorded a consolidated loss attributable to shareholders of HK\$127.4 million, as compared to a loss of HK\$88.2 million for the nine months ended 31st December, 2013.

The loss incurred for the year under review was principally attributable to the finance costs arising from the interest accruing on the balance consideration payable for the acquisition of the Chengdu Project and the increased administrative and other overhead costs associated with the development of the Chengdu Project as well as the Tianjin Project, both acquired in September 2013.

As reported in the 2014 Interim Report, Cosmopolitan first announced an open offer of shares in conjunction with a share consolidation in April 2014. The open offer was very well received, with applications from qualifying shareholders accounting for approximately 89.8% of the shares available for subscription and with applications for excess shares exceeding 24 times of the total shares available for subscription under excess application. The open offer was closed in August 2014 and new equity funds of approximately HK\$439.8 million have thus been raised, which have been applied by the Cosmopolitan group for the injection of additional capital in one of its subsidiaries incorporated in the PRC and for general working capital.

Contemporaneously upon the closing of the open offer, P&R Holdings completed the Subscription Agreement entered into with Cosmopolitan in April 2014 to subscribe for convertible bonds of the Cosmopolitan group in the principal amount of HK\$500 million and was granted an option to subscribe for optional convertible bonds up to an aggregate principal amount of HK\$500 million. The issue of the convertible bonds could potentially further enhance the capital base of Cosmopolitan, while the funds received have been used to repay some of the Cosmopolitan group's indebtedness bearing higher interest rates, thereby reducing its interest expenses in the meantime. Detailed information regarding the terms and conditions of the convertible bonds and the optional convertible bonds was contained in the circular of Cosmopolitan dated 20th June, 2014.

The Cosmopolitan group's principal businesses are now focused on property development and investments in the PRC. During the year under review, the property market as well as the overall economy in the PRC has generally slowed down. Adapting to this changing market environment, the Cosmopolitan group has made some adjustments to the development programme of some of its

development projects. Detailed information regarding the Cosmopolitan group's ongoing development projects in Chengdu and Tianjin and the reforestation project in Xinjiang as well as the latest status on the two proposed projects in Wuxi and in Tongzhou, Beijing is contained in the section headed "Management Discussion and Analysis" in the 2014 Annual Report.

3.3 OUTLOOK

Regal Group

In order for the tourism industry in Hong Kong to continue to flourish, the support from the Hong Kong Government and its continuing commitment to invest in infrastructural developments are most crucial. In addition to the projects under construction, such as the Hongkong-Zhuhai-Macao Bridge and the 26-km long Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link which promote expedient connections with Macao and the Mainland, the Government is expanding the local mass transportation railway network by building the West Island line, the South Island line and the Shatin to Central Link and has just approved the construction of a third runway at the Hong Kong International Airport. The Government is also carrying out infrastructure work at the former Kaitak airport area to tie in with the development of the "hotel belt" adjacent to the Kai Tak Cruise Terminal. At the same time, both theme parks in Hong Kong, Disneyland and Ocean Park, are pressing ahead with expansion plans. All these infrastructural and tourism developments will have significant and positive contributions to the tourism and hospitality sectors in Hong Kong.

Regal REIT is hopeful that the Hong Kong Government will continue to commit sufficient resources to enhance and upgrade its infrastructural facilities, to ensure that Hong Kong will have sufficient capacities to accommodate and serve the demands of an increasing number of global and regional visitors to Hong Kong, maintaining its long-held reputation as a much favoured shopping, sightseeing and entertainment destination. The REIT Manager is optimistic that the tourism and hotel markets in Hong Kong will continue to prosper, albeit there could be some short term ripples. Being the only listed hospitality REIT with market concentration in Hong Kong, the REIT Manager is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotel owners in Hong Kong. The REIT Manager will actively search for new business opportunities that will generate good investment returns and long term capital appreciation.

The recent incidents in Hong Kong directed against visitors from Mainland have aroused some negative publicity and widespread concerns. As one of the indicators on the level of economic activities, the volume of retail sales in Hong Kong has shrunk by about 14.6% year-on-year in January 2015, based on the statistics released by the Hong Kong Government. However, with the Regal group's hotels distributed in different strategic locations, catering to a wide spectrum of business and tourist clientele, the business operations of its hotels have on the whole attained steady performance during the first two months of 2015. The Regal group is confident that Hong Kong will be able to maintain its position as an international financial centre and a favoured tourist destination and management of Regal remains positive on the outlook of the hotel business in Hong Kong.

The Regal group has a very solid asset base with a strong recurring income stream and is well placed to meet any potential challenges. The Regal group will continue to pursue, with prudence, suitable business expansion opportunities that will be beneficial to the Regal group in sustaining further growth.

Cosmopolitan Group

The central government of China has projected that the gross domestic product in the PRC for 2015 will grow by 7%, as compared to 7.4% in 2014, despite the prevailing uncertainties in some overseas economies and the geopolitical tensions in some regions like the Middle East and Eastern Europe. Although the forecast growth rate in the GDP of the PRC for 2015 is the lowest as compared to recent years, it is still much more favourable than those projected for most of the major economies.

The Cosmopolitan group is optimistic that the economic development in the PRC in the long term will continue to be strong and is confident that the ongoing development projects undertaken by the Cosmopolitan group will generate substantial cash flow and satisfactory profits when they are gradually completed.

Paliburg Group

The Government of Hong Kong has implemented various initiatives to curb speculative investments in the property market in Hong Kong. However, the buoyant market condition currently prevailing in the primary residential sector in Hong Kong has mainly been driven by the penned up demand from end users, prompted by the low interest rate environment. Although there could be some consolidations when the low interest rate environment changes, the Paliburg group anticipates that the property market in Hong Kong will continue to grow steadily and will seek further appropriate opportunities to strengthen its development property portfolio.

The property projects undertaken by P&R Holdings in Hong Kong, as well as the property projects undertaken by Cosmopolitan in the PRC, are scheduled for completion over the course of the next few years. While most of the projects will be sold, which are expected to generate significant cash flow and profit contribution, certain of these projects might be retained for rental income to reinforce the Paliburg group's recurrent revenue base.

Overall, the Directors are optimistic of the continuing prospects of the Paliburg group as a whole.

Century City Group

The Group will continue to explore business opportunities that can facilitate its member companies in expanding their existing businesses or to diversifying into new businesses. The Group will also keep under review various corporate rationalisation plans that are beneficial for the further progressive development of the Century City Group.

The Group has made substantial investments in different core businesses over the past few years, which are gradually coming into fruition. The Directors are confident that the Group as a whole will continue to grow and will bring to shareholders increasing returns.

3.4 CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources. Project financing may be arranged on appropriate terms and will normally be in local currency to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Group's banking facilities are 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 is kept under review by the Group's management from time to time. As the US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollars or Hong Kong dollars to contain the Group's exposure to currency fluctuation.

Cash Flow

Net cash flows generated from operating activities during the year under review amounted to HK\$88.6 million (2013 - net cash flows used in operating activities of HK\$3,233.1 million). Net interest payment for the year amounted to HK\$299.9 million (2013 - HK\$234.9 million).

Borrowings and Gearing

As at 31st December, 2014, the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$9,851.7 million (2013 - HK\$8,403.4 million).

As at 31st December, 2014, the gearing ratio of the Group was 26.3% (2013 - 23.7%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$9,851.7 million (2013 - HK\$8,403.4 million), as compared to the total assets of the Group of HK\$37,391.8 million (2013 - HK\$35,416.4 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2014 are as follows.

Interest bearing bank borrowings

	GROUP			
	2014		2013	
	<i>Maturity</i>	<i>HK\$'million</i>	<i>Maturity</i>	<i>HK\$'million</i>
Current				
Bank loans — secured	2015	1,375.9	2014	1,624.0
Non-current				
Bank loans — secured	2016-2019	<u>7,770.8</u>	2015-2018	<u>5,599.8</u>
		<u>9,146.7</u>		<u>7,223.8</u>

	2014	2013
	<i>HK\$'million</i>	<i>HK\$'million</i>
Analysed into:		
Bank loans repayable		
Within one year	1,375.9	1,624.0
In the second year	191.4	755.7
In the third to fifth years, inclusive	<u>7,579.4</u>	<u>4,844.1</u>
	<u>9,146.7</u>	<u>7,223.8</u>

The agreement for a term loan facility up to HK\$4,500.0 million and a revolving facility of up to HK\$300.0 million (the "2013 IH Facilities") was entered into on 23rd July, 2013 by Regal REIT group, through its wholly owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five initial Regal Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. As at 31st December, 2014, the outstanding amount on the 2013 IH Facilities was HK\$4,520.0 million, comprised of the full amount of the term loan facilities of HK\$4,500.0 million

and the amount outstanding under the revolving facility of HK\$20.0 million. The Regal REIT group entered into interest rate swap arrangements to hedge against interest rate exposure for the term loan facility for a notional amount of HK\$3.0 billion, details of which are set out in note 33 to the financial statements as set out in the 2014 Annual Report.

Regal REIT group, through its wholly owned subsidiary, Sonnix Limited, had a bilateral loan facility of HK\$340.0 million (the “2012 WC Facility”) for the iclub Wan Chai Hotel with an original expiry date in February 2015. On 22nd December, 2014, a new term loan facility agreement for a principal amount of up to HK\$440.0 million (the “2014 WC Facility”), which is secured by the iclub Wan Chai Hotel, was entered into for a new term of 5 years to December 2019. The 2014 WC Facility was fully drawn with the proceeds being applied mainly for the repayment of the 2012 WC Facility. As at 31st December, 2014, the outstanding loan facility was HK\$440.0 million.

On 10th February, 2014, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged for another bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving facility of HK\$158.0 million, and secured by the iclub Sheung Wan Hotel (the “2014 SW Facilities”). The 2014 SW Facilities have a term of five years to February 2019 and have no interest rate hedging in place. As at 31st December, 2014, the utilised 2014 SW Facilities were comprised of the full term loan amount of HK\$632.0 million and an amount of HK\$43.0 million outstanding under the revolving facility.

On 28th July, 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged for another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving facility of HK\$165.0 million, and secured by the iclub Fortress Hill Hotel (the “2014 FH Facilities”). The 2014 FH Facilities have a term of 5 years to July 2019 and have no interest rate hedging in place. As at 31st December, 2014, the utilised 2014 FH Facilities were comprised only of the full term loan amount of HK\$660.0 million.

The loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rate (“HIBOR”) plus an interest margin ranging from 1.4% to 2.6% per annum (2013 - ranging from 1.62% to 2.6% per annum).

Bank borrowings under the 2013 IH Facilities, the 2014 WC Facility, the 2014 SW Facilities and the 2014 FH Facilities are guaranteed by Regal REIT and certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group’s interest bearing bank borrowings are also secured by, among others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;

- (iii) charges over the relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

The Group's other bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 41 to the financial statements as set out in the 2014 Annual Report. They bear interest at HIBOR plus 0.9% to 2.69% per annum (2013 - HIBOR plus 0.9% to 2.69% per annum) except for bank loans of HK\$230.0 million (2013 - HK\$170.8 million), in aggregate, which bear interest at the bank's cost of fund plus 0.75% per annum (2013 - bank's cost of fund plus 0.75% per annum).

At 31st December, 2014, all interest bearing bank borrowings are denominated in Hong Kong dollars except for bank loans of HK\$209.5 million (2013 - HK\$183.0 million), in aggregate, which are denominated in United States dollars and a bank loan of HK\$20.5 million (2013 - Nil) which is denominated in Euro.

Other borrowings

	GROUP	
	2014	2013
	<i>HK\$'million</i>	<i>HK\$'million</i>
Non-current		
Unsecured other borrowings repayable in the third to fifth years, inclusive	<u>4,211.2</u>	<u>4,200.5</u>

On 5th October, 2012, RH International Finance Limited (the "MTN Issuer"), a wholly owned subsidiary of RHIHL, established a US\$1,000 million medium term note programme guaranteed by RHIHL (the "MTN Programme").

On 19th October, 2012, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount.

On 11th January, 2013, R-REIT International Finance Limited (the "Regal REIT MTN Issuer"), a wholly owned subsidiary of Regal REIT, established a US\$1,000 million medium term note programme (the "Regal REIT MTN Programme").

On 22nd March, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme 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. The notes were issued at a discount at 99.44% of the principal amount.

On 22nd May, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme 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. The notes were issued at a discount at 99.553% of the principal amount.

Pledge of Assets

As at 31st December, 2014, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$17,861.1 million (2013 - HK\$14,529.3 million) were pledged to secure general banking facilities granted to the Group and, in addition, certain of the 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\$454.6 million (2013 - HK\$428.5 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2014, certain ordinary shares in a listed subsidiary with a market value of HK\$445.0 million (2013 - HK\$460.0 million) were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

The Group had the following outstanding capital commitments at the end of the reporting period:

	2014	2013
	<i>HK\$'million</i>	<i>HK\$'million</i>
Authorised, but not contracted for:		
Property development projects	2,438.2	2,353.7
Hotel buildings	<u>110.6</u>	<u>37.6</u>
	<u>2,548.8</u>	<u>2,391.3</u>
Contracted, but not provided for:		
Property development projects	2,292.9	1,011.7
Aircraft	<u>253.7</u>	<u>—</u>
	<u>2,546.6</u>	<u>1,011.7</u>
	<u><u>5,095.4</u></u>	<u><u>3,403.0</u></u>

Contingent Liabilities

The Group had no contingent liability as at 31st December, 2014.

3.5 MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the year under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

3.6 STAFF AND REMUNERATION POLICY

The Group employs approximately 2,470 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

With a view to providing long term incentives, the Company, PHL and RHIHL maintain the share option schemes named as “The Century City International Holdings Limited Share Option Scheme”, “The Paliburg Holdings Limited Share Option Scheme” and “The Regal Hotels International Holdings Limited Share Option Scheme”, respectively, under which share options had been granted to selected eligible persons.

4. MANAGEMENT DISCUSSION AND ANALYSIS ON THE CENTURY CITY GROUP FOR THE YEAR ENDED ENDED 31 DECEMBER 2013

Set out below is the management discussion and analysis on the Century City Group as extracted from the annual report of Century City for the year ended 31 December 2013 (the “2013 Annual Report”). Terms used below follow the meanings as set out in the 2013 Annual Report.

4.1 FINANCIAL RESULTS

For the year ended 31st December, 2013, the Group achieved a consolidated profit attributable to shareholders of HK\$202.0 million, as compared to the profit of HK\$1,192.7 million recorded for 2012.

As the profit recorded for the preceding year included a one-off net accounting gain of HK\$2,117.5 million which arose when Paliburg Holdings Limited, the listed intermediate subsidiary of the Company, consolidated Regal Hotels International Holdings Limited, previously a listed associate of Paliburg, based on the fair values of the assets and liabilities of Regal as at 7th May, 2012, the date when Regal became a listed subsidiary of Paliburg, the profit reported for the year under review was substantially lower than that for 2012. Moreover, the hotel properties which are owned by Regal Real Estate Investment Trust, the listed subsidiary of Regal, and leased to a wholly owned subsidiary of Regal are classified in the Group’s financial statements as property, plant and equipment and are subject to depreciation charges to accord with the accounting standards. Accordingly, depreciation charges in the amount of HK\$442.1 million have been provided in respect of the hotel properties in the Group’s results for the year which, though having no cash flow impact, have nonetheless affected the reported profit.

4.2 BUSINESS OVERVIEW

With a view to diversifying the investment portfolio and to broadening the income base of the Group, a wholly owned subsidiary of the Group first embarked on the aircraft ownership and leasing business with its acquisition in 2012 of an 84.9% effective interest in a Boeing 737-800 model aircraft. The aircraft is managed by a professional asset manager and has been leased to an airline operator generating satisfactory recurring revenues. Two additional aircraft have since been acquired by the Regal group, one wholly owned and the other with an effective 85% interest. The two aircraft owned by the Regal group are also managed by the same professional asset manager and have been leased to two separate airline operators at satisfactory rental levels.

The Group intends to participate more actively in the management aspects of the aircraft ownership and leasing business, particularly if the Group's overall investments in this new line of principal business further expand.

The Group has established the fund management business in the People's Republic of China and a wholly owned subsidiary of the Group is acting as the general partner of two sizable investment funds established in Chongqing.

In the meanwhile, the Group is actively preparing to reactivate its financial service business, including property mortgage lending and special situation financings, which are intended to be conducted through Cityline Finance Limited, a wholly owned subsidiary of the Company with money lender's licence in Hong Kong, and other subsidiary members of the Group.

The Group effectively owns an aggregate of 48% interests (comprising 36% held by the Regal group and 12% held through wholly owned subsidiaries of the Company) in 8D Matrix Limited, an associate of the 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 remaining 52% interest in 8D Matrix is effectively held by Mr. Lo Yuk Sui, the Chairman and controlling shareholder of 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 currently 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.

Following the takeover of Cosmopolitan International Holdings Limited in September 2013, as referred to below, the Century City Group now comprises a total of five listed members. As the ultimate holding company, the Company held as at 31st December, 2013 a 62.2% shareholding interest in Paliburg, which, in turn, held 58.2% shareholding interest in Regal and a 67.5% effective shareholding interest in Cosmopolitan. As at 31st December, 2013, Regal REIT was 74.6% owned by Regal. The financial results and the business operations of each of the listed members of the Century City Group are highlighted below.

4.2.1 PALIBURG HOLDINGS LIMITED

For the year ended 31st December, 2013, Paliburg achieved a consolidated profit attributable to shareholders of HK\$322.9 million, as compared to the profit of HK\$2,294.3 million recorded for 2012. As mentioned above, as the profit recorded by Paliburg for the preceding year included the one-off net accounting gain arising from the consolidation of Regal, the profit attained for the year under review was substantially lower.

During the year under review, the Paliburg group has acquired additional shares in Regal and Regal has also repurchased, at different times, some of its own shares under the share repurchasing mandate granted by its shareholders. As a result, the Paliburg group's shareholding interests in Regal have increased from 51.3% as at the beginning of 2013 to 58.2% as at year end date. As the ordinary shares of Regal were trading at a substantial discount to its underlying net asset value, such purchases and repurchases of shares of Regal have served to enhance the net asset value of Paliburg and, effectively, of the Company.

While the strategic controlling interests in Regal have always been one of the most significant investments of the Paliburg group, the Paliburg group's core businesses are principally focused on property development and investment in Hong Kong and the PRC. During the year, the Paliburg group has implemented a series of corporate transactions to rationalise the asset holding structure with respect to its core property businesses. Presently, all of the Paliburg group's existing property development projects in Hong Kong are undertaken by P&R Holdings Limited, a joint venture 50/50 held by each of Regal and Paliburg, while its property development and investment businesses in the PRC will be undertaken by Cosmopolitan, which is now a listed subsidiary of Paliburg held through P&R Holdings, which are further elaborated below.

Properties

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 under review has remained stagnant, particularly in the secondary market, with property prices having generally adjusted downwards. The property market in Hong Kong is likely to remain lacklustre in the near term, but the Paliburg group remains confident of its long term prospects due to the limited supply of development lands, particularly in prime areas, and the strong underlying demands for properties. The Paliburg group has taken the opportunity to expand, through P&R Holdings, its property development portfolio during the past year.

P&R Holdings was initially established in April 2011 as a 50/50 joint venture of Regal and Paliburg to engage in property development, property investment and related businesses, so as to fully capitalise on the combined financial resources and professional expertise of the two groups. As Regal became a subsidiary of the Company in May 2012, P&R Holdings has effectively also become a subsidiary of the Company.

Since its establishment in 2011, P&R Holdings has acquired a total of seven property development projects in Hong Kong, including four hotel projects, with two in Sheung Wan, one in North Point and one in To Kwa Wan, a residential project in Yuen Long, a shopping mall project in Ma On Shan and, more lately, the residential project in Kau To.

The residential project in Kau To is situated at Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories, which was acquired through a government tender held in September 2013. The site has a site area of 17,476 square metres and is presently planned to be developed into 7 mid-rise residential apartment blocks with about 136 units and 21 luxury houses with a total gross floor area of approximately 32,470 square metres.

Most recently, a wholly owned subsidiary of P&R Holdings has won the contract from the Urban Renewal Authority of Hong Kong 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 is 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 Urban Renewal Authority has opened up for P&R Holdings a new avenue for the undertaking of property developments in Hong Kong.

As disclosed in the 2013 Interim Report, P&R Holdings entered into a Share Purchase Agreement on 28th June, 2013 with Regal REIT for the sale to Regal REIT of the new hotel with 248 guestrooms and suites located at Nos. 132-140 Bonham Strand, Sheung Wan at a consideration of HK\$1,580 million, based on an independent valuation of the hotel property as of 25th June, 2013 on an as-completed basis. The occupation permit for the property was issued in January 2014 and the requisite transactions under the Share Purchase Agreement have been subsequently completed on 10th February, 2014. The consideration received on the sale of this hotel represented a surplus of approximately HK\$853 million over the estimated total development costs to P&R Holdings, including the costs for the completion of the agreed interior fit-out works. Though the gain derived by P&R Holdings would not be reflected in the Paliburg group's results due to consolidation elimination under the existing corporate structure in accordance with the accounting standards, this sale transaction has generated substantial cash proceeds to P&R Holdings to fund its acquisitions of new property projects.

Simultaneously with the Share Purchase Agreement, P&R Holdings also entered into an Option Agreement with Regal REIT in June 2013, pursuant to which an option was granted to Regal REIT to acquire the 338-room hotel under development in North Point. If the option is exercised by Regal REIT, the final sale consideration will be determined in accordance with the agreed terms in the Option Agreement, basing on an updated market valuation by the independent professional valuer jointly appointed by the parties. The construction works on this new hotel have now been completed and the application for the issue of the occupation permit has recently been submitted. Details of the Option Agreement were likewise disclosed in the 2013 Interim Report.

With the objective that P&R Holdings and Cosmopolitan would have their property businesses separately focused in Hong Kong and the PRC, respectively, agreements were entered into by P&R Holdings and a joint venture 50/50 held by Regal and Cosmopolitan on 27th June, 2013 for the sale of their 70% and 30% equity interests, respectively, in the mixed-use development project under development in Xindu District, Chengdu City, to a wholly owned subsidiary of Cosmopolitan, with the sale consideration determined based on a 5% discount to the independent valuation of the Chengdu project of RMB1,540 million as of 31st May, 2013. This sale transaction was completed in September 2013 before Cosmopolitan became a subsidiary of Paliburg and the attributable gain derived from the transaction has been reflected in the results of the Paliburg group under review.

As part of the series of transactions with Cosmopolitan completed in September 2013, P&R Holdings has acquired from Cosmopolitan the properties owned by Cosmopolitan in Hong Kong, comprising ten residential duplex units and fourteen car parks in Rainbow Lodge located in Tong Yan San Tsuen, Yuen Long, based on an independent valuation of the properties as of 31st May, 2013. The properties are presently intended to be held for rental income and, up to now, a total of four units have been leased out.

Further details on the development projects and properties of P&R Holdings are contained in the section headed “Management Discussion and Analysis” in the 2013 Annual Report.

Construction and building related businesses

The Paliburg group’s development consultancy division continues to provide support to different members of the Group with respect to the professional services on the architectural, engineering and interior design aspects for all the property development and hotel renovation projects. Chatwin Engineering Limited, the wholly owned construction arm of Paliburg, is undertaking the main contract works for the hotel development projects of P&R Holdings at Bonham Strand in Sheung Wan, which have been completed, and at Merlin Street in North Point, which is near completion. Chatwin has recently also been awarded the main contract works for the residential project of P&R Holdings in Yuen Long through competitive tender process.

Other investments

The Paliburg group holds a sizable portfolio of investments in a wide range of listed financial assets, bonds and financial instruments, including treasury and yield enhancement products denominated in Renminbi.

As part of its investment portfolio, the Paliburg group had held significant interests in the ordinary shares and convertible bonds of Cosmopolitan, while separate interests in Cosmopolitan were also held by the Regal group. In August 2013, the Paliburg group and the Regal group entered into an agreement to sell all their respective holdings in the issued shares and convertible bonds of Cosmopolitan to P&R Holdings, so that the interests previously held by two separate groups will be consolidated into one strategic block held through the jointly controlled P&R Holdings. These transactions have been implemented shortly after the requisite approval by the independent shareholders of Regal on 7th September, 2013.

Later in the same month, P&R Holdings further acquired approximately 19.4% of the then issued share capital of Cosmopolitan from the then single largest shareholder of Cosmopolitan and converted all the convertible bonds of Cosmopolitan into new ordinary shares of Cosmopolitan. As a result of these further acquisition and conversions, P&R Holdings has come to own approximately 67.5% of the issued share capital of Cosmopolitan and has accordingly made an unconditional mandatory general cash offer for all the issued ordinary shares of Cosmopolitan not already owned by P&R Holdings and its concert parties, which offer has duly closed on 2nd December, 2013. Details of these transactions were contained in the joint announcement by the Company dated 30th September, 2013.

With the aim to enhance the yield on the liquid capital and to broaden the income base of the Paliburg group, a wholly owned subsidiary of Paliburg, as the lender, has entered into an Entrusted Loan Agreement with an independent third party in October 2013 for the lending of an entrusted secured loan in the principal amount of up to RMB200 million for a term of 6 months at an interest rate of 15% per annum, which was considered to be satisfactory having regard to the prevailing benchmark interest rate for fixed deposits in Renminbi. Further details with respect to this lending transaction were contained in the joint announcement by the Company dated 15th October, 2013. The drawdown of the entrusted loan under the loan agreement was subject to the fulfillment of certain conditions precedent. As the conditions precedent have not been fulfilled, the loan agreement has recently been terminated and the loan proceeds were released and returned to the Paliburg group. In any event, the fixed interest for a period of 4 months paid in advance by the borrower has been received by the Paliburg group for its account in accordance with the terms of the loan agreement.

4.2.2 REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2013, Regal 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 under review, there were increased finance costs on the medium term notes issued by Regal REIT and Regal to finance business expansions.

Hotel market overview

During the year under review, the United States began tapering its quantitative easing programmes with indications of a self-sustaining recovery, while the European economies were on the whole showing signs of stabilising. In Asia, Japan was striving to turnaround its stagnant economy by fiscal stimulus and monetary easing measures, whereas in the PRC, the Gross Domestic Product increased by 7.7% year-on-year, maintaining the same level as in the preceding year. In the meanwhile, Hong Kong's economy remained resilient, with the Gross Domestic Product having increased by 2.9% year-on-year.

In 2013, visitor arrivals to Hong Kong surged by 11.7% year-on-year to a total of over 54 million, fueled 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%.

Hotel ownership**Regal REIT**

Regal REIT owns all the operating Regal Hotels in Hong Kong and is a listed subsidiary of Regal. Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager.

For the year ended 31st December, 2013, Regal REIT achieved a consolidated net profit before distributions to Unitholders of HK\$342.6 million, as compared to HK\$3,548.8 million recorded for the year 2012. The decrease in the reported profit was largely attributable to the fact that for the preceding year, the profit achieved included a significant gain of HK\$3,068.0 million derived from the changes in the fair values of Regal REIT's investment properties. Benefitting from the increased rental receipts, the total distributable income for Regal REIT for the year under review amounted to HK\$497.1 million, an increase of 7.0% over the HK\$464.7 million reported last year.

Apart from the five initial Regal Hotels which are owned by Regal REIT and leased to a wholly owned subsidiary of Regal, Regal REIT owns and self-operates the Regal iClub Hotel in Wanchai. This Regal iClub Hotel continued to enjoy strong demand during the year, with the occupancy rate reaching to almost 100% from 97.4% last year. However, due to price competition from some new hotels, the average room rate has 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 was recently completed and the hotel room count increased to 494 rooms. As at 31st December, 2013, the total room inventory of the six operating hotels owned by Regal REIT boosted an aggregate of 3,984 guestrooms and suites.

As mentioned above, Regal REIT has acquired from P&R Holdings the new hotel located at Nos. 132-140 Bonham Strand, Sheung Wan at a consideration of HK\$1,580 million. The property has been leased by Regal REIT to a wholly owned subsidiary of Regal effective from 10th February, 2014, with rentals for the first 3 years having been fixed at HK\$79.0 million, HK\$82.95 million and HK\$86.9 million per annum, respectively.

The acquisition of this 34-storey hotel property has added another 248 guestrooms and suites to the hotel portfolio of Regal REIT. The hotel will be named as the "iclub Sheung Wan Hotel" under the "iclub by Regal" brand, and will be operated as an upscale select-service hotel modelled on the successful operations of the Regal iClub Hotel in Wanchai. It is anticipated that the hotel will commence operations in the first half of 2014, after the hotel and other relevant licences have been granted.

Simultaneously with the Share Purchase Agreement, 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 new 338-room hotel under development in North Point.

Hotel operations

The five initial Regal Hotels in Hong Kong are operated by a wholly owned subsidiary of Regal as lessee. The combined average occupancy rate for these five hotels for the year 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, which represented an excess of HK\$147.0 million over the aggregate annual base rent of HK\$734.0 million, 50% of which was attributable to Regal REIT as variable rent.

The rental review for the leasing of the five initial Regal Hotels for 2014 was completed in August 2013. The aggregate annual base rent for 2014 has been determined at HK\$743.0 million, reflecting a moderate increase of 1.2% over the annual base rent of HK\$734.0 million for 2013, with variable rent continuing to be based on the same 50% sharing of the excess of the aggregate net property income of the five hotels over the aggregate base rent.

As mentioned above, a wholly owned subsidiary of Regal has additionally leased the new “iclub Sheung Wan Hotel” from Regal REIT for a fixed term of 5 years from 10th February, 2014, which is extendable for a further term of 5 years at the option of Regal REIT.

To further strengthen the marketing platform and to enhance internet connectivity, a new centralised property management system connecting all the Regal group’s hotels in Hong Kong is being implemented, and an increasing number of room reservations is being made through the internet.

Hotel management

All the six Regal Hotels operating in Hong Kong, as well as the soon to open “iclub Sheung Wan Hotel”, are managed by Regal Hotels International Limited, the wholly owned management arm of Regal in Hong Kong.

The Regal group is presently managing five operating hotels in the PRC, four of which are situated in Shanghai. There are ten other hotel projects under development in the PRC which will also be managed by the Regal group. These hotel projects are targeted to be completed within the next two years, with the Regal Airport Hotel, Xian and the Regal Yuhong Hotel in Zhengzhou scheduled first to come on stream in the second half of 2014.

Properties

As disclosed in the 2013 Interim Report, the Regal group entered into a sale and purchase agreement with a wholly owned subsidiary of Cosmopolitan on 27th June, 2013 for the sale of the plot of development land in Tianjin City in the PRC, which was acquired by the Regal group through a public land auction in October 2012. On that same date, separate agreements were also entered into by P&R Holdings and a joint venture 50/50 owned by Cosmopolitan and the Regal group to sell their

respective 70% and 30% interests held in the property project under development in Chengdu City, Sichuan to the Cosmopolitan group. All these transactions have been duly completed in September 2013 and the attributable gain derived by the Regal group has been reflected in its results for the year under review.

The Regal group still retains 19 houses in Regalia Bay, Stanley, four of which are under lease to independent third parties. Having regard to the very few supply of luxury residential accommodation on Hong Kong Island, the Regal group will continue to hold on to these properties and may consider leasing out more of these houses for rental income, unless the price offered by interested purchasers are satisfactory.

Other investments

The Regal group maintains 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 currently owns two aircraft under its aircraft ownership and leasing business, which have been 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 by Regal and the second aircraft is an Airbus A321-200, which was acquired in July 2013 through an 85% owned subsidiary of Regal. 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.

As mentioned above, the Regal group has a 36% effective interest in 8D Matrix, a wholly owned subsidiary of which is principally engaged in the online education, entertainment and technology businesses in the PRC.

4.2.3 COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan became a listed subsidiary of Paliburg and, in turn, effectively of the Company on 16th September, 2013. To align with the financial year end date of the Group, Cosmopolitan has changed its financial year end from 31st March to 31st December.

For the nine-month period ended 31st December, 2013, Cosmopolitan recorded a consolidated loss of HK\$88.2 million, as compared to the profit of HK\$52.8 million (as restated) for the financial year ended 31st March, 2013.

During the period under review, the Cosmopolitan group undertook some very strategic and important transactions to acquire two large-scale development projects located in Chengdu and Tianjin, both major cities in the PRC, and has disposed of the investment properties at Rainbow Lodge in Hong Kong.

The Cosmopolitan group has in the past been principally engaged in property investment and development, in Hong Kong and the PRC, and financial assets and other investments. With the completion of these two strategic acquisitions, it is intended that a majority proportion of the businesses of the Cosmopolitan group will in future be focused on property development and investment in the PRC.

To align with the management structure of its parent company and to prepare for the increased business activities of the Cosmopolitan group, a number of changes to the composition of its board of directors and in the roles of key officers were effected on 18th December, 2013 and Mr. LO Yuk Sui was also elected as the new chairman of the board of Cosmopolitan.

Properties

The property businesses of the Cosmopolitan group are now principally focused in the PRC. Over the past few years, the central government of the PRC has been implementing different measures to cool down the real estate sector in Mainland China and these measures have generated positive effects for a gradual consolidation of the property market.

The Cosmopolitan group has in the meantime taken the opportunity to acquire, as mentioned above, the two large scale development projects in Chengdu and Tianjin, which are being developed in stages. Moreover, the Cosmopolitan group has since 2008 been involved in a re-forestation and land grant project in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC and substantive progress has been achieved during the period under review.

With a view to expanding the Cosmopolitan group's property portfolio and business coverage in the PRC, the Cosmopolitan group has entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement for the possible acquisition and development of a large parcel of land in Wuxi City, Jiangsu Province. More lately in February 2014, a Co-operation Agreement has been secured in respect of the investment in an investee company involved in a resettlement housing project in Tongzhou District, Beijing.

Further detailed information on these projects is contained in the section headed "Management Discussion and Analysis" in the 2013 Annual Report.

Financial assets and other investments

As the Cosmopolitan group is now principally focused on property development and investment in the PRC, business activities in financial assets investments during the period under review have relatively reduced. However, financial assets and other investment businesses will continue to be part of the principal activities of the Cosmopolitan group and will be deployed to enhance the yield on the liquid resources of the Cosmopolitan group from time to time.

4.3 OUTLOOK

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 targeted to be completed in 2015. The Express Rail Link will 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 REIT Manager is optimistic that the tourism and hotel markets in Hong Kong will continue to grow. As the only listed hospitality REIT with market concentration in Hong Kong, the REIT Manager is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotel owners in Hong Kong. The Regal iClub Hotel in Wanchai has proven to be a successful business model, which has generated for Regal REIT good investment returns and capital appreciation, and the REIT Manager has the same optimistic expectations for the new "iclub Sheung Wan Hotel". 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, including the new hotel in North Point under the Option Agreement, with a view to achieving enhanced earnings and capital growth.

The Regal group has made substantial investments during the past year in its planned business expansion, including investment in the property and other investment businesses. It is inevitable that the increased finance costs on the medium term notes issued to fund business expansion would have some short term impact on the Regal group's results during the initial period of the investment cycle. The directors of Regal are confident that when the investments undertaken gradually become mature, particularly when the property projects undertaken by P&R Holdings are completed and sold in the course of the next few years, significant cash flow and profit contribution will be generated for the Regal group.

Cosmopolitan Group

After all the then outstanding convertible bonds in an aggregate principal amount of HK\$541.5 million 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 prices.

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, a majority portion of which may be utilised to pay off the outstanding considerations payable for the acquisition of the two projects. Nevertheless, given the planned continuing expansion of its asset portfolio, the Cosmopolitan group will review possible avenues to further expand its capital base at appropriate times.

The directors of Cosmopolitan anticipate that when all the projects presently undertaken by the Cosmopolitan group are gradually developed and completed, significant revenues and profits will be generated for the Cosmopolitan group over the coming few years.

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, P&R Holdings is undertaking six wholly owned ongoing property projects in Hong Kong, ranging from residential to hotel and shopping mall developments, while Cosmopolitan is developing two large scale mixed used complexes in Chengdu and Tianjin 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. Overall, the directors of Paliburg are optimistic of the continuing growth and prospects of the Paliburg group.

Century City Group

The Century City 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 Century City 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 Century City Group. The Group believes that the economies in Hong Kong and the PRC will continue to grow and has committed significant investments in the region. The Directors are hopeful that when all these new investments gradually mature, the overall financial strength and profitability of the Century City Group will be elevated to a new dimension.

4.4 CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources. Project financing may be arranged on appropriate terms and will normally be in local currency to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes issued 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 is kept under review by the Group's management from time to time. As the US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed.

Cash Flow

Net cash flows used in operating activities during the year under review amounted to HK\$3,233.1 million (2012 - net cash flows generated from operating activities of HK\$3.0 million). Net interest payment for the year amounted to HK\$234.9 million (2012 - HK\$71.9 million).

Borrowings and Gearing

As at 31st December, 2013, the Group's borrowings, net of cash and bank balances and deposits amounted to HK\$8,403.4 million (2012 - HK\$3,179.4 million).

As at 31st December, 2013, the gearing ratio of the Group was 23.7% (2012 - 9.9%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$8,403.4 million (2012 - HK\$3,179.4 million), as compared to the total assets of the Group of HK\$35,416.4 million (2012 - HK\$32,144.7 million)

Details of the maturity profile of the borrowings of the Group as of 31st December, 2013 are as follows.

Interest bearing bank borrowings

	GROUP			
	2013		2012	
	<i>Maturity</i>	<i>HK\$'million</i>	<i>Maturity</i>	<i>HK\$'million</i>
Current				
Bank loans — secured	2014	1,624.0	2013	81.5
Non-current				
Bank loans — secured	2015-2018	<u>5,599.8</u>	2014-2015	<u>5,404.3</u>
		<u>7,223.8</u>		<u>5,485.8</u>
			2013	2012
			<i>HK\$'million</i>	<i>HK\$'million</i>
Analysed into:				
Bank loans repayable				
Within one year			1,624.0	81.5
In the second year			755.7	229.6
In the third to fifth years, inclusive			<u>4,844.1</u>	<u>5,174.7</u>
			<u>7,223.8</u>	<u>5,485.8</u>

Included in the bank loans under non-current liabilities as at 31st December, 2012 was a facility aggregating HK\$4.5 billion granted to the Regal REIT group (the “2012 Term Loan Facility”). The 2012 Term Loan Facility bore interest at the Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.1% per annum, repayable in full on 9th March, 2015 and was secured by the five Initial Hotels. The Regal REIT group has also entered into interest rate swap arrangements to hedge against the interest rate exposure for the 2012 Term Loan Facility for a notional amount of HK\$3.0 billion, details of which are set out in note 35 to the financial statements as set out in the 2013 Annual Report.

On 23rd July, 2013, the Regal REIT group entered into a new facility agreement (the “2013 New Facility Agreement”) for a new term loan facility of up to HK\$4,500.0 million (the “New Term Loan Facility”) and a revolving facility of up to HK\$300.0 million (the “Revolving Facility”) (together, the “2013 New Facilities”). The 2013 New Facilities bear HIBOR-based interest with a lower interest margin as compared with the 2012 Term Loan Facility. The final maturity of the 2013 New Facilities is on 20th July, 2018. The term loan of HK\$4.5 billion and the revolving loan of HK\$150 million were drawn down on 29th August, 2013 and 4th October, 2013, respectively. The New Term Loan Facility

was wholly used to early refinance the 2012 Term Loan Facility for the same principal amount, while the Revolving Facility is being used for the general corporate funding needs of the Regal REIT group. Moreover, the 2013 New Facilities are only secured by three of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. Upon drawdown of the New Term Loan Facility and repayment of the 2012 Term Loan Facility in August 2013, the remaining two Initial Hotels, namely, Regal Kowloon Hotel and Regal Oriental Hotel, became free of mortgages and are currently held on an unencumbered basis.

The Regal REIT group also has a bilateral loan facility of HK\$340.0 million (the “iClub Facility”) for a term of three years. The iClub Facility also bears HIBOR-based interest.

As at the end of the reporting period, the iClub Facility had an outstanding amount of HK\$327.4 million, a portion of HK\$7.2 million is repayable quarterly and a final repayment portion of HK\$320.2 million is due on 24th February, 2015.

Bank borrowings under the 2013 New Facilities are guaranteed by Regal REIT and, on a joint and several basis, by certain individual companies within the Regal REIT group. The iClub Facility is guaranteed by Regal REIT.

The Regal REIT group’s interest bearing bank borrowings are also secured by, among others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, and relating to the relevant properties;
- (iii) charges over the relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

The Group’s other bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 43 to the financial statements as set out in the 2013 Annual Report. They bear interest at HIBOR plus 0.9% to 2.69% per annum (2012 - HIBOR plus 0.98% to 2.69% 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 (2012 - Nil).

At 31st December, 2013, all interest bearing bank borrowings are denominated in Hong Kong dollars except for bank loans of HK\$183.0 million, in aggregate, which are denominated in United States dollars. In the prior year, all interest bearing bank borrowings were denominated in Hong Kong dollars.

Other borrowings

	GROUP	
	2013	2012
	<i>HK\$'million</i>	<i>HK\$'million</i>
Non-current		
Unsecured other borrowings repayable in the third to fifth years, inclusive	<u>4,200.5</u>	<u>2,293.8</u>

On 5th October, 2012, RH International Finance Limited (the “MTN Issuer”), a wholly-owned subsidiary of RHIHL, established a US\$1,000 million medium term note programme guaranteed by RHIHL (the “MTN Programme”).

On 19th October, 2012, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount.

On 11th January, 2013, R-REIT International Finance Limited (the “Regal REIT MTN Issuer”), a wholly owned subsidiary of Regal REIT, established a US\$1,000 million medium term note programme (the “Regal REIT MTN Programme”).

On 22nd March, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme 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. The notes were issued at a discount at 99.44% of the principal amount.

On 22nd May, 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme 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. The notes were issued at a discount at 99.553% of the principal amount.

Pledge of Assets

As at 31st December, 2013, 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, bank deposits and bank balances in the total amount of HK\$14,529.3 million (2012 - HK\$20,153.1 million) were pledged to secure general banking facilities granted to the Group and, in addition, part of the 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\$380.0 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties

from Regal REIT. In addition, as at 31st December, 2013, certain ordinary shares in a listed subsidiary (2012 - two listed subsidiaries) with a market value of HK\$460.0 million (2012 - an aggregate market value of HK\$775.4 million) were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

The Group had the following outstanding commitments at the end of the reporting period:

	2013 <i>HK\$'million</i>	2012 <i>HK\$'million</i>
Authorised, but not contracted for:		
Property development projects	2,353.7	572.3
Hotel buildings	<u>37.6</u>	<u>40.0</u>
	2,391.3	612.3
Contracted, but not provided for		
Property development projects	<u>1,011.7</u>	<u>1,474.2</u>
	<u>3,403.0</u>	<u>2,086.5</u>

Contingent Liabilities

The Group had no contingent liability as at 31st December, 2013.

4.5 MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the year under review, various agreements were entered into relating to the disposals of certain subsidiaries of the Group and subsidiaries of a joint venture of the Group, which hold properties in Hong Kong and the PRC, to the Cosmopolitan group and certain subsidiaries of the Group, which hold securities of the Cosmopolitan group, to P&R Holdings and the acquisition of certain subsidiaries of Cosmopolitan, which hold properties in Hong Kong, by P&R Holdings. The Group also acquired additional shares of Cosmopolitan and converted all its convertible bonds issued by the Cosmopolitan group, and, as a consequence, procured a subsidiary of the Group to make an unconditional mandatory general cash offer to acquire all the issued ordinary shares of Cosmopolitan (other than those already owned or agreed to be acquired by the P&R Concert Group (as referred below)). Relevant details of these transactions are set out below.

Disposal of interests in a property development project in Chengdu, the PRC to Cosmopolitan

On 27th June, 2013, a conditional sale and purchase agreement was entered into between P&R Holdings as the vendor and Ample State Investments Limited (“Ample State”), a wholly owned subsidiary of Cosmopolitan, as the purchaser in relation to the transfer of 70% effective interests in the mixed use development project (the “Chengdu Project”) at Xindu District, Chengdu, Sichuan Province, the PRC (the “Chengdu Properties”), by way of the transfer of all the interests then held by P&R Holdings (representing 70% of the existing entire issued share capital) in two relevant companies (the “Chengdu Subsidiaries”, and together with their respective wholly owned subsidiaries, the “Chengdu Group”) and the loans owed to P&R Holdings by the Chengdu Group to Ample State (the “Chengdu Agreement”) (the “Chengdu Transaction”).

The initial net consideration for the Chengdu Transaction (after offsetting the Novated Liability (as referred to below)) (the “Chengdu Consideration”) was approximately HK\$642.3 million (subject to adjustments). The Chengdu Consideration was determined primarily based on 70% of the valuation of the Chengdu Properties of RMB1,540.0 million (equivalent to approximately HK\$1,940.4 million) as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by P&R Holdings and Ample State and a 5% discount to the valuation, less the Novated Liability of approximately HK\$648.1 million. The Chengdu Consideration (with accrued interest) were to be payable within three years after completion of the Chengdu Transaction in any number of instalments at the discretion of Ample State.

Also on 27th June, 2013, a conditional sale and purchase agreement was entered into between Faith Crown Holdings Limited (“Faith Crown”), a joint venture owned as to 50% each by RHIHL and Cosmopolitan, as the vendor and Ample State as the purchaser in relation to the transfer of the remaining 30% effective interests in the Chengdu Properties to Cosmopolitan, by way of the transfer of all the interests then held by Faith Crown (representing 30% of the existing entire issued share capital) in the Chengdu Subsidiaries and the loans owed to Faith Crown by the Chengdu Group to Ample State (the “Other Chengdu Agreement”) (the “Other Chengdu Transaction” and together with the Chengdu Transaction, the “Chengdu Transactions”).

The initial consideration for the Other Chengdu Transaction (the “Other Chengdu Consideration”) was approximately HK\$553.0 million (subject to adjustments). The Other Chengdu Consideration was determined based on 30% of the valuation of the Chengdu Properties of RMB1,540.0 million (equivalent to approximately HK\$1,940.4 million) as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by Faith Crown and Ample State and a 5% discount to the valuation. The Other Chengdu Consideration (with accrued interest) were to be payable within three years after completion of the Other Chengdu Transaction in any number of instalments at the discretion of Ample State.

In June 2011, Faith Crown entered into an agreement to dispose of a 70% interest in the Chengdu Group to P&R Holdings for a final adjusted consideration of HK\$1,024.7 million payable in cash by instalments (the “2011 CD Transaction”). Upon completion of the 2011 CD Transaction, Joyous Unity Investments Limited (a member of the Chengdu Group) was granted an option to purchase the

completed hotel and commercial podium of the Chengdu Project (the “Put Option”). On 27th June, 2013, P&R Holdings, Ample State and Faith Crown entered into a novation and variation deed (the “Novation Agreement”), pursuant to which Ample State would assume the outstanding consideration of approximately HK\$648.1 million payable by P&R Holdings to Faith Crown (the “Novated Liability”) in consideration of the tantamount reduction in the consideration payable by Ample State to P&R Holdings for the Chengdu Transaction (the “Novation”). The completion of the Novation Agreement would take place simultaneously with the completion of the Chengdu Transactions. The Novated Liability (with accrued interest) would be payable within three years after completion of the Chengdu Transaction in any number of instalments at the discretion of Ample State. Upon completion of the Chengdu Transactions, the Put Option would be terminated and ceased to have effect.

The transactions contemplated under the Chengdu Agreement (including the Novation) were approved by the shareholders of each of the Company and PHL by way of written approval. The transactions contemplated under the Chengdu Agreement (including the Novation) and the other Chengdu Agreement were approved by the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 13th September, 2013. Following the Chengdu Agreement and the Other Chengdu Agreement becoming unconditional, completion of the Chengdu Transactions (including the Novation) took place on 13th September, 2013.

The vendors under the Chengdu Transactions have had the benefit of pro rata pledges over the equities in the Chengdu Project and protective restrictive covenants before the considerations are fully settled. After taking into account the completion adjustment, the aggregate consideration for the Chengdu Transaction (after offsetting the Novated Liability) and the Other Chengdu Transaction were HK\$618.3 million and HK\$542.7 million respectively.

The Chengdu Transaction constituted a major transaction for the Company and PHL subject to reporting, announcement and shareholders’ approval requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), while the Other Chengdu Transaction did not constitute notifiable transactions for each of the Company, PHL and RHIHL under the Listing Rules. Relevant details of the transactions under the Chengdu Agreement, the Other Chengdu Agreement and the Novation Agreement were disclosed in the joint announcement of the Company dated 27th June, 2013.

Acquisition of interests in properties in Yuen Long, Hong Kong from Cosmopolitan

On 27th June, 2013, a conditional sale and purchase agreement was entered into between Cosmopolitan as the vendor and P&R Holdings as the purchaser in relation to the transfer of the entire interest in Kola Glory Limited (“Kola Glory”), a then wholly owned subsidiary of Cosmopolitan, and the shareholder’s loan owing by Lead Fortune Development Limited (“Lead Fortune”), a wholly owned subsidiary of Kola Glory, (the “Rainbow Lodge Agreement”) (the “Rainbow Lodge Transaction”). Kola Glory holds, through Lead Fortune, the properties comprise 10 duplex residential units and 14 car parking spaces in Rainbow Lodge located at 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong (the “Rainbow Lodge Properties”).

The initial consideration for the Rainbow Lodge Transaction (the “Rainbow Lodge Consideration”) was HK\$88.0 million (subject to adjustments). The Rainbow Lodge Consideration was determined primarily based on the valuation of the Rainbow Lodge Properties of HK\$88.0 million as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by P&R Holdings and Cosmopolitan. The Rainbow Lodge Consideration was settled by P&R Holdings to Cosmopolitan upon completion of the Rainbow Lodge Agreement.

The transactions contemplated under the Rainbow Lodge Agreement were approved by the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 13th September, 2013. Following the Rainbow Lodge Agreement becoming unconditional, completion of the Rainbow Lodge Transaction took place on 13th September, 2013. After taking into account the completion adjustment, the aggregate consideration for the Rainbow Lodge Transaction was HK\$88.0 million.

The Rainbow Lodge Transaction constituted a disclosable transaction for the Company while it did not constitute a notifiable transaction for PHL under the Listing Rules. Relevant details of the transactions under the Rainbow Lodge Agreement were disclosed in the joint announcement of the Company dated 27th June, 2013.

Disposal of interests in a parcel of land in Tianjin City, the PRC to Cosmopolitan

On 27th June, 2013, a conditional sale and purchase agreement was entered into between Regal International (BVI) Holdings Limited (“Regal BVI”), a wholly owned subsidiary of RHIHL, as the vendor and Fortune City International Investments Limited (“Fortune City”), a wholly owned subsidiary of Cosmopolitan, as the purchaser in relation to the transfer of all the effective interests in a parcel of land located in Tianjin City, the PRC (the “Tianjin Land”) to Fortune City, by way of the transfer of all the interests in Grand Praise Investments Limited (“Grand Praise”), a then wholly owned subsidiary of Regal BVI, and the shareholder’s loans owing by Sure Reward Investments Limited, a wholly owned subsidiary of Grand Praise, to Fortune City (the “Tianjin Agreement”) (the “Tianjin Transaction”).

The initial consideration for the Tianjin Transaction (the “Tianjin Consideration”) was HK\$1,417.5 million (subject to adjustments). The Tianjin Consideration was determined primarily based on the valuation of the Tianjin Land of RMB1,250.0 million (equivalent to approximately HK\$1,575.0 million) as of 31st May, 2013 as appraised by a qualified independent professional valuer jointly engaged by Regal BVI and Fortune City and a 10% discount to the valuation. The Tianjin Consideration was to be payable within three years after completion of the Tianjin Transaction in any number of instalments at the discretion of Fortune City.

The transactions contemplated under the Tianjin Agreement were approved by the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 13th September, 2013. Following the Tianjin Agreement becoming unconditional, completion of the Tianjin Transaction took place on 13th September, 2013. Before the consideration and the interest accrued are fully settled,

Fortune City has pledged its entire equity interests in the companies holding the Tianjin Land in favour of Regal BVI and has undertaken to comply with certain restrictive covenants to protect the interests of Regal BVI. After taking into account the completion adjustment, the aggregate consideration for the Tianjin Transaction was HK\$1,406.7 million.

The Tianjin Transaction did not constitute a notifiable transaction for each of the Company, PHL and RHIHL under the Listing Rules. Relevant details of the transactions under the Tianjin Agreement were disclosed in the joint announcement of the Company dated 27th June, 2013.

Disposal of interests in two hotels in Sheung Wan and North Point, Hong Kong to Regal REIT

On 28th June, 2013, a conditional sale and purchase agreement was entered into between, among others, P&R Holdings as the vendor and DB Trustees (Hong Kong) Limited (the “Trustee”), acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the purchaser relating to the disposal by P&R Holdings to Regal REIT of all the shareholding interest in Plentiful Investments Limited (“Plentiful”), a wholly owned subsidiary of P&R Holdings, and all the shareholder’s loans owed by the wholly owned subsidiary of Plentiful, Tristan Limited (“Tristan”, together with Plentiful, the “Plentiful Group”), to P&R Holdings (the “SW Shareholder Loans”) (the “SW Hotel Agreement”) (the “SW Hotel Transaction”). Tristan directly owns the hotel development project located at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong (the “Sheung Wan Hotel”). The SW Hotel Transaction was to be completed upon the fulfilment (or waiver) of the conditions precedent as set out in the SW Hotel Agreement (the “SW Hotel Completion”).

The consideration for the SW Hotel Transaction was HK\$1,580.0 million, plus a customary adjustment on a dollar-for-dollar basis for the current assets of the Plentiful Group as at the date of completion of the SW Hotel Transaction. The consideration for the SW Hotel Transaction was determined based on the valuation of the Sheung Wan Hotel of HK\$1,580.0 million on an as-completed basis as of 25th June, 2013 as appraised by the independent valuer jointly appointed by P&R Holdings and Regal REIT, and taking into account completion of the interior fit-out programme of the Sheung Wan Hotel, the SW Shareholder Loans to be acquired by Regal REIT pursuant to the SW Hotel Transaction and that the Plentiful Group would not have any liabilities other than the SW Shareholder Loans at the SW Hotel Completion.

The Sheung Wan Hotel will have 248 guestrooms and suites and, to be branded as a “iclub by Regal (富薈酒店)” hotel, and would be leased to and operated and managed by the RHIHL Group upon the SW Hotel Completion.

On 28th June, 2013, an option agreement was entered into between, among others, P&R Holdings as the grantor and the Trustee, acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the grantee relating to the grant of a call option by P&R Holdings to Regal REIT (the “Option”) entitling Regal REIT in its sole discretion to acquire all the shareholding interest in Fortune Mine Limited (“Fortune Mine”), a wholly owned subsidiary of P&R Holdings, and all the shareholder’s loans owed by the wholly owned subsidiary of Fortune Mine, Wise Decade Investments Limited (“Wise Decade”, together with Fortune Mine, the “Fortune Mine Group”), to P&R Holdings

(the “NP Shareholder Loans”) (the “Option Agreement”) (the “NP Hotel Transaction”). Wise Decade directly owns the hotel development project located at Nos. 14-20 Merlin Street, North Point, Hong Kong (the “North Point Hotel”). The Option may only be exercised during the period commencing from the date that the occupation permit for the North Point Hotel is granted (as notified by P&R Holdings to the Trustee) and ending 30 days from such date. The occupation permit for the North Point Hotel is estimated to be granted in the second quarter of 2014.

The initial exercise price for the Option is HK\$1,650.0 million, subject to the adjustments as provided in the Option Agreement, which was determined with reference to the valuation of the North Point Hotel on an as-completed basis of HK\$1,650.0 million as of 25th June, 2013 as appraised by the independent valuer jointly appointed by P&R Holdings and Regal REIT and completion of the interior fit-out programme of the North Point Hotel and taking into account that the NP Shareholder Loans are to be acquired by Regal REIT pursuant to the NP Hotel Transaction (upon exercise of the Option) and that the Fortune Mine Group shall not have any liabilities other than the NP Shareholder Loans at completion of the NP Hotel Transaction.

The North Point Hotel will have 338 guestrooms and is to be branded as a “iclub by Regal (富薈酒店)” hotel, and will be leased to and operated and managed by the RHIHL Group upon completion of the NP Hotel Transaction.

The SW Hotel Transaction, the Option and the exercise of the Option in aggregate constituted a major transaction for the Company and PHL subject to the reporting, announcement and shareholders’ approval requirements under the Listing Rules. The SW Hotel Transaction and the Option in aggregate constituted a major transaction and a connected transaction for RHIHL subject to the independent shareholders’ approval of RHIHL under the Listing Rules. Relevant details of the transactions under the SW Hotel Agreement and the Option Agreement were disclosed in the joint announcement of the Company dated 28th June, 2013 and the circular of the Company dated 29th June, 2013.

On 18th July, 2013, the transactions contemplated under the SW Hotel Agreement and the Option Agreement were approved by the independent shareholders of RHIHL and the independent unitholders of Regal REIT at the respective general meetings of RHIHL and Regal REIT.

On 6th January, 2014, the occupation permit required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for the Sheung Wan Hotel has been obtained. Following the SW Hotel Agreement becoming unconditional, completion of the SW Hotel Transaction took place on 10th February, 2014. After taking into account the completion adjustment, the aggregate consideration for the SW Hotel Transaction was HK\$1,581.1 million.

Disposal of the subsidiaries holding securities of Cosmopolitan to P&R Holdings

On 20th August, 2013, a conditional sale and purchase agreement was entered into between Paliburg Development BVI Holdings Limited (“PDBVI”) (a wholly owned subsidiary of PHL), Regal BVI and Regal Hotels (Holdings) Limited (“RHH”) (both wholly owned subsidiaries of RHIHL), each as a vendor, and P&R Holdings, as the purchaser, relating to the disposals of the entire issued share

capital of, and (if any) the shareholder's loans to, among others, Winart Investments Limited, Lendas Investments Limited ("Lendas"), Great Select Holdings Limited, Jumbo Pearl Investments Limited and Sun Joyous Investments Limited (all then wholly owned subsidiaries of PDBVI) (the "Paliburg Target Companies"), and Fountain Sky Limited (a then wholly owned subsidiary of RHH) and Time Crest Investments Limited, Valuegood International Limited and Well Mount Investments Limited (all then wholly owned subsidiaries of Regal BVI) (the "Regal Target Companies") to P&R Holdings (the "Cosmopolitan Agreement") (the "Cosmopolitan Transactions"). The Paliburg Target Companies and Regal Target Companies then held, in total, 2,350,666,666 issued ordinary shares of Cosmopolitan and convertible bonds in an aggregate principal amount of HK\$541,450,000, which were convertible into a total of 10,202,916,664 new ordinary shares of Cosmopolitan, issued by the Cosmopolitan group (the "Cosmopolitan CBs").

The aggregate consideration for disposal of Paliburg Target Companies is approximately HK\$374.5 million while the aggregate consideration for disposal of Regal Target Companies is approximately HK\$504.3 million, both of which were based on an agreed value of HK\$0.07 per each issued or underlying share of Cosmopolitan. The aggregate considerations for disposal of Paliburg Target Companies and Regal Target Companies were determined after arm's length negotiation between the parties taking into account the net book value and market price of issued ordinary shares of Cosmopolitan and the business prospects of Cosmopolitan. The considerations were paid in cash upon completion of the Cosmopolitan Transactions.

The transactions contemplated under the Cosmopolitan Agreement were approved by the independent shareholders of RHIHL at its special general meeting held on 7th September, 2013. Following the Cosmopolitan Agreement becoming unconditional, completion of the Cosmopolitan Transactions took place on 9th September, 2013.

The Cosmopolitan Transactions did not constitute notifiable transactions for the Company and PHL under the Listing Rules, but constituted a discloseable transaction and a connected transaction for RHIHL subject to reporting, announcement and shareholders' approval requirements under the Listing Rules. Relevant details of the Cosmopolitan Transactions under the Cosmopolitan Agreement were disclosed in the joint announcement of the Company dated 20th August, 2013.

Cosmopolitan becoming a listed subsidiary of the Group

On 14th September, 2013, Lendas, a wholly owned subsidiary of P&R Holdings, as the purchaser acquired from Giant Sino Group Limited ("Giant Sino"), an independent third party, as the vendor 2,291,076,090 ordinary shares of Cosmopolitan (the "Sale Share(s)") (the "Share Acquisition"), which represented approximately 19.44% of the entire issued share capital of Cosmopolitan as at that date.

The consideration for the Share Acquisition was HK\$160,375,326.30 (equivalent to HK\$0.07 per Sale Share) in cash which was agreed between Lendas and Giant Sino after arm's length negotiation taking into account the market price of the ordinary shares of Cosmopolitan and the business prospects of Cosmopolitan.

On 16th September, 2013, certain wholly owned subsidiaries of P&R Holdings, all of which being holders of the Cosmopolitan CBs in an aggregate principal amount of HK\$541,450,000, served notices of conversion in respect of all of their respective Cosmopolitan CBs on the relevant issuers of the Cosmopolitan CBs. Accordingly, 10,202,916,664 ordinary shares of Cosmopolitan (the “Conversion Shares”) were allotted and issued to the relevant holders of the Cosmopolitan CBs (the “Conversion”).

Upon the completion of the Share Acquisition and the allotment and issue of the Conversion Shares, the shareholding held by the PHL group in Cosmopolitan increased to over 50% and, consequently, Cosmopolitan and its subsidiaries all became listed subsidiaries of the Group with effect from 16th September, 2013.

Following the Share Acquisition and the allotment and issue of the Conversion Shares, P&R Holdings was required, and procured P&R Strategic Limited (“P&R Strategic”) (being a wholly owned subsidiary of P&R Holdings), to make an unconditional mandatory general cash offer under Rule 26.1 of the Code on Takeovers and Mergers to acquire all the issued ordinary shares of Cosmopolitan of par value HK\$0.0002 each and any shares of Cosmopolitan duly issued while the Offer remained open for acceptance, other than those already owned or agreed to be acquired by the P&R Concert Group (consisting P&R Holdings and parties acting in concert with it, including the Company, PHL, P&R Strategic, RHIHL, RH International Finance Limited (a wholly owned subsidiary of RHIHL)), (the “Offer Share(s)”) at an offer price of HK\$0.07 in cash for each Offer Share (the “Offer”).

Pursuant to the Listing Rules, the Share Acquisition, together with the Conversion and the Offer, constituted a major transaction for each of the Company and PHL, and required the approval of the respective shareholders of the Company and PHL, which were obtained from a closely allied group of shareholders of the Company and a closely allied group of shareholders of PHL by way of written approval, and were also subject to the reporting and announcement requirements under the Listing Rules. Relevant details of the Share Acquisition, the Conversion and the Offer were disclosed in the joint announcement of the Company dated 30th September, 2013. Details of the acquisition of Cosmopolitan and its subsidiaries as subsidiaries of the Company are disclosed in note 39(a) to the financial statements as set out in the 2013 Annual Report.

Save as disclosed herein, during the year under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

4.6 STAFF AND REMUNERATION POLICY

The Group employs approximately 2,390 staff in Hong Kong and the PRC. The Group’s management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group’s operations to be compatible with market norm.

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

With a view to providing long term incentives, the Company, PHL and RHIHL maintain the share option schemes named as “The Century City International Holdings Limited Share Option Scheme”, “The Paliburg Holdings Limited Share Option Scheme” and “The Regal Hotels International Holdings Limited Share Option Scheme”, respectively, under which share options had been granted to selected eligible persons.

1. RESPONSIBILITY STATEMENT

This circular, for which the Century City 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 Century City. The Century City 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 OF CENTURY CITY DIRECTORS

As at the Latest Practicable Date, the interests and short positions, if any, of each Century City Director and the chief executive of Century City in the shares, underlying shares and debentures of Century City and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to Century City and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Century City Directors and the chief executive of Century City 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 Century City pursuant to Section 352 of the SFO, or as otherwise required to be notified to Century City 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 Century City and its associated corporations

Century City/ Name of associated corporation	Name of Century City 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. Century City	Mr. LO Yuk Sui	Ordinary (issued)	110,667,396	1,769,164,691 <i>(Note a)</i>	380,683	1,880,212,770 (58.69%)	
	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%)	
2. Paliburg	Mr. LO Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 <i>(Note b)</i>	15,000	830,953,817 (74.55%)	
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)	

APPENDIX III
GENERAL INFORMATION

Century City/ Name of associated corporation	Name of Century City Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/ Other interests	
	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)	50,185	—	—	50,185 (0.005%)
	Mr. NG Siu Chan	Ordinary (issued)	—	—	80,474	80,474 (0.007%)
3. Regal	Mr. LO Yuk Sui	Ordinary (issued)	24,200	622,739,261 <i>(Note c)</i>	260,700	623,024,161 (68.01%)
	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) (ii) (unissued)	— —	3,117,856,716 <i>(Note e)</i> 5,024,058,784 <i>(Note f)</i>	— —	3,117,856,716 5,024,058,784
					Total:	8,141,915,500 (191.55%)
		Preference (issued)	—	2,345,487,356 <i>(Note f)</i>	—	2,345,487,356 (99.98%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,269,101	—	—	2,269,101 (0.05%)
	Miss LO Po Man	Ordinary (issued)	1,380,000	—	—	1,380,000 (0.03%)
5. Regal REIT	Mr. LO Yuk Sui	Units (issued)	—	2,443,033,102 <i>(Note g)</i>	—	2,443,033,102 (74.99%)
6. 8D International (BVI) Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	1,000 <i>(Note h)</i>	—	1,000 (100%)
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%)

	Century City/ Name of associated corporation	Name of Century City 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	
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%)
21.	Net Community Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	3 <i>(Note w)</i>	—	3 (100%)
22.	Pilot Pro Holdings Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	1 <i>(Note x)</i>	—	1 (100%)

Century City/ Name of associated corporation	Name of Century City 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		
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 Century City Shares were held through companies wholly owned by Mr. LO Yuk Sui (“Mr. Lo”).
- (b) The interests in 694,124,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 58.67% shareholding interests.

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 Century City, in which Mr. Lo held 58.67% shareholding interests. The interests in 599,025,861 issued ordinary shares of Regal were held through companies wholly owned by Paliburg, in which Century City held 62.28% shareholding interests. The

interests in the other 23,292,000 issued ordinary shares of Regal were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings (which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries) held 64.26% shareholding interests. Paliburg held 67.93% shareholding interests in Regal.

- (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) The interests in 2,731,316,716 issued ordinary shares of Cosmopolitan 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. The interests in the other 386,540,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of Regal. Paliburg, in which Century City held 62.28% shareholding interests, held 67.93% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.
- (f) The interests in 5,024,058,784 unissued ordinary shares of Cosmopolitan 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 Century City held 62.28% shareholding interests, held 67.93% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.

The interests in 2,345,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,345,487,356 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in convertible bonds issued by a wholly owned subsidiary of Cosmopolitan (the “**CB Issuer**”), which are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.35 per share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in convertible bonds issued by the CB Issuer, which are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per share (subject to adjustments in accordance with the terms of the convertible bonds).

- (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 Century City. Cosmopolitan was held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 67.93% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.
- (h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.67% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (i) 800,000 shares were held through companies controlled by Century City, in which Mr. Lo held 58.67% shareholding interests, 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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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

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

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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) 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 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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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 wholly owned by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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

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

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) 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

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

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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
Century City	Mr. Lo	58.67
Century City BVI Holdings Limited	Century City	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 Century City Directors, as at the Latest Practicable Date, none of the Century City Directors or the chief executive of Century City held any interests or short positions in the shares, underlying shares or debentures of Century City or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to Century City 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 Century City under Section 352 of the SFO, or which were required to be notified to Century City and the Stock Exchange pursuant to the Model Code.

Details of directorships of the Century City Directors in each of those companies which has an interest in the shares and underlying shares of Century City as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr. LO Yuk Sui is a director of YSL International Holdings Limited.
- (2) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To and Miss LO Po Man are directors of Grand Modern Investments Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Century City Directors and the chief executive of Century City, no other Century City Director was a director or employee of a company which had an interest or short position in the Century City Shares and underlying Century City Shares which would fall to be disclosed to Century City under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. OTHER INTERESTS OF DIRECTORS

As at the Latest Practicable Date,

(a) Interests in service contracts

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

(b) Interests in assets

none of the Century City Directors had any direct or indirect interest in any assets which have, since 31 December 2015, being the date to which the latest published audited financial statements of the Century City Group were made up, been acquired or disposed of by or leased to any member of the Century City Group or were proposed to be acquired or disposed of by or leased to, any member of the Century City Group; and

(c) Interests in contracts or arrangements

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

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Century City 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 Century City Group other than those businesses to which the Century City Directors and their associates were appointed to represent the interests of Century City and/or the Century City Group.

5. LITIGATION

A subsidiary of the Cosmopolitan Group was a defendant in certain outstanding litigation claims in an aggregate amount of approximately RMB9.6 million (equivalent to approximately HK\$10.9 million) relating to a re-forestation project located in Xinjiang in the PRC. Based on the advice from the Cosmopolitan Group's legal counsel, the litigation claims were pending verification and/or the Cosmopolitan Group had good grounds of defence against such claims.

Save as disclosed above, so far as the Century City Directors are aware, there was no litigation or claims of material importance pending or threatened against any member of the Century City Group as at the Latest Practicable Date.

6. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business) has been entered into by the Century City Group within the two years immediately preceding the date of this circular which is or may be material:

- (a) the framework agreement dated 13 January 2016 (as supplemented on 11 March 2016, 12 April 2016 and 29 April 2016) entered into between Sunview Vision Limited (“**Sunview**”), a wholly-owned subsidiary of Cosmopolitan, 上海久輝快遞有限公司 (for identification purpose only, Shanghai Jiuhui Express Courier Limited Company) (“**Logistics Shanghai**”) and a PRC citizen (the “**Existing Owner**”) who was the then 95% shareholder of Logistics Shanghai in relation to, among others, (i) formation of a joint venture (the “**Joint Venture**”) owned as to 60% by Sunview and 40% by the Existing Owner; (ii) the acquisition by the Joint Venture of a group of companies (the “**Logistics Group**”) operating logistics and related business in the PRC for a consideration of HK\$4,150,000 funded by a shareholder loan provided by Sunview; (iii) the procurement of development and expansion of the logistics business of the Logistics Group by the Existing Owner for a consideration of HK\$23,800,000 satisfied by convertible bonds issued by a wholly-owned subsidiary of Cosmopolitan; and (iv) provision of non-competition undertaking by the Existing Owner for a period of ten years for a consideration of HK\$29,100,000 satisfied by convertible bonds issued by a wholly-owned subsidiary of Cosmopolitan.

Save for the above, there were no material contracts (not being a contract in the ordinary course of business) entered into by any members of the Century City Group within the two years preceding the date of this circular.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Century City Directors were not aware of any material adverse change in the financial or trading position of the Century City Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Century City Group were made up.

8. MISCELLANEOUS

- (a) The registered office of Century City is at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.
- (b) The head office and principal place of business of Century City in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.
- (c) The secretary of Century City 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 Century City 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 Century City in Hong Kong from the date of this circular up to and including 17 March 2017 during normal business hours:

- (a) the memorandum of association and bye-laws of Century City;
- (b) the annual reports of Century City for the two years ended 31 December 2014 and 2015;
- (c) the material contract referred to in the paragraph headed "Material contracts" in this Appendix III;
- (d) the circular dated 7 October 2016 issued by Century City in relation to the extension of terms of convertible bonds in Cosmopolitan;

- (e) the circular dated 1 December 2016 issued by Century City in relation to lease amendment agreements and option agreements in respect of six aircraft of the Regal Group;
- (f) the circular dated 26 January 2017 issued by Century City regarding the entering into of a sale and purchase agreement involving disposal of a 50% interest in a hotel and provision of certain funding by P&R Holdings; and
- (g) this circular.