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MAJOR TRANSACTION

**ACQUISITION OF COSMOPOLITAN SHARES,
CONVERSION OF COSMOPOLITAN CBs AND
THE OFFER**

Financial adviser to
Paliburg Holdings Limited



A letter from the board of directors of Paliburg Holdings Limited is set out on pages 9 to 28 of this circular.

27 November 2013

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DEFINITIONS

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

“2011 CD Transaction”	the disposal by Faith Crown to P&R Holdings of a 70% equity interest in the Chengdu Group and 70% of the shareholder’s loans due to Faith Crown by the Chengdu Group as set out in the announcement jointly issued by the Company, Century City and Regal dated 30 June 2011
“Acquisition”	the acquisition of the Sale Shares by Lendas from Giant Sino pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	instrument of transfer and bought and sold notes entered into between Lendas and Giant Sino in relation to the Acquisition on 14 September 2013
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement dated 30 September 2013 jointly issued by the Company, P&R Strategic, P&R Holdings, Century City, Regal, RH International and Cosmopolitan in relation to, among others, the Acquisition, the Conversion and the Offer
“Apex Team”	Apex Team Limited, a wholly-owned subsidiary of Cosmopolitan
“associates”	has the meaning ascribed to it in the Takeovers Code or the Listing Rules, as the context may require from time to time
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Capital Merit”	Capital Merit Investments Limited, a wholly-owned subsidiary of the Company
“Cayman Islands Companies Law”	the Companies Law (Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CB2010”	the zero coupon guaranteed convertible bonds due on 30 September 2013 (as further extended) issued by Fancy Gold in 2007 and held by Valuegood in the principal amount of HK\$141.45 million
“CB2013(A)”	the zero coupon guaranteed convertible bonds due on 30 September 2013 (as extended) issued by Apex Team in 2008 to Jumbo Pearl in the principal amount of HK\$100 million

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“CB2013(B)”	the zero coupon guaranteed convertible bonds due on 30 September 2013 (as extended) issued by Apex Team in 2008 to Time Crest in the principal amount of HK\$100 million
“CB2013(C)”	the zero coupon guaranteed convertible bonds due on 30 September 2013 issued by Apex Team in 2013 to Sun Joyous in the principal amount of HK\$100 million
“CB2013(D)”	the zero coupon guaranteed convertible bonds due on 30 September 2013 issued by Apex Team in 2013 to Well Mount in the principal amount of HK\$100 million
“CB2013(s)”	the CB2013(A), CB2013(B), CB2013(C) and CB2013(D) collectively
“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 Group”	Century City and its subsidiaries excluding, for the purposes of this circular, the Regal Group
“Chengdu Group”	Joyous Unity Investments Limited and Excel Crown Investments Limited and their respective subsidiaries
“Chengdu Project”	a mixed-use development project on properties located in Xindu District, Chengdu City, Sichuan Province, the PRC consisting of hotel, commercial, office and residential components being undertaken by wholly-owned subsidiaries of Cosmopolitan
“Chengdu Transactions”	the acquisitions by the Cosmopolitan Group from P&R Holdings and Faith Crown of a group of companies principally engaged in the Chengdu Project, details of which have been set out in Cosmopolitan’s circular to shareholders dated 28 August 2013
“Closing Date”	2 December 2013, being the closing date of the Offer, which is the 21st day after the date of despatch of the Composite Document, or if the Offer is revised or extended, any subsequent closing date of the Offer as determined and announced by P&R Strategic, with the consent of the Executive, if necessary, in accordance with the Takeovers Code

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“Company”	Paliburg Holdings Limited, a company incorporated in Bermuda and whose issued Shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“Composite Document”	the composite offer document jointly issued on 11 November 2013 by P&R Holdings, P&R Strategic and Cosmopolitan to the Offer Cosmopolitan Shareholders in connection with the Offer in accordance with the Takeovers Code setting out, among other things, (a) the expected timetable in relation to the Offer, (b) a letter from UBS detailing the terms of the Offer and (c) the respective letters from the board of directors of Cosmopolitan, the independent board committee of Cosmopolitan and the independent financial adviser appointed by Cosmopolitan
“Connected Person”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Connected Transaction”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Conversion”	the conversion of the Cosmopolitan CBs pursuant to the exercise of the conversion rights attached thereto
“Conversion Share(s)”	the new Cosmopolitan Share(s) issued upon the exercise of the conversion rights attached to the Cosmopolitan CBs
“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 CBs”	the CB2010 and the CB2013s collectively
“Cosmopolitan Director(s)”	director(s) of Cosmopolitan
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Cosmopolitan Share(s)”	ordinary share(s) of par value of HK\$0.0002 each in the capital of Cosmopolitan
“Cosmopolitan Shareholder(s)”	holder(s) of Cosmopolitan Share(s)
“Directors”	the directors of the Company
“Enlarged Group”	the Group and the Cosmopolitan Group
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

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“Faith Crown”	Faith Crown Holdings Limited, a 50-50 joint venture of the Regal Group and the Cosmopolitan Group
“Fancy Gold”	Fancy Gold Limited, a wholly-owned subsidiary of Cosmopolitan
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer, which accompanies the Composite Document
“Fountain Sky”	Fountain Sky Limited, a wholly-owned subsidiary of P&R Holdings
“Giant Sino”	Giant Sino Group Limited, a Cosmopolitan Shareholder and the vendor of the Sale Shares pursuant to the Acquisition
“Great Select”	Great Select Holdings Limited, a wholly-owned subsidiary of P&R Holdings
“Group”	the Company and its subsidiaries excluding, for the purposes of this circular, the Cosmopolitan Group
“GS Irrevocable Undertaking”	the irrevocable undertaking dated 14 September 2013 given by Giant Sino in favour of P&R Strategic
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Acquisition”	the acquisition of the entire issued share capital of and shareholders’ loans to nine companies pursuant to the Initial Acquisition Agreement whose only assets comprised in aggregate 2,350,666,666 Cosmopolitan Shares and the Cosmopolitan CBs
“Initial Acquisition Agreement”	the sale and purchase agreement dated 20 August 2013 between P&R Holdings, Paliburg Development BVI Holdings Limited (a wholly-owned subsidiary of the Company), Regal Hotels (Holdings) Limited and Regal (BVI) Holdings (both wholly-owned subsidiaries of Regal)
“Jumbo Pearl”	Jumbo Pearl Investments Limited, a wholly-owned subsidiary of P&R Holdings
“Last Trading Day”	13 September 2013, being the last trading day of Cosmopolitan Shares on the Stock Exchange prior to the suspension of trading in the Cosmopolitan Shares on the Stock Exchange pending the publication of the Announcement

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“Latest Practicable Date”	22 November 2013, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information for inclusion in this circular
“Lendas”	Lendas Investments Limited, a wholly-owned subsidiary of P&R Holdings
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“NAM Irrevocable Undertaking”	the irrevocable undertaking dated 1 November 2013 given by New Asia Media in favour of P&R Strategic
“New Asia Media”	New Asia Media Development Limited, a Cosmopolitan Shareholder and a wholly-owned subsidiary of Culture Landmark Investment Limited (whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 674))
“Offer”	the unconditional mandatory general cash offer to be made by UBS on behalf of P&R Strategic to acquire all of the Offer Shares in accordance with the Takeovers Code and the terms set out in the Composite Document
“Offer Cosmopolitan Shareholder(s)”	Cosmopolitan Shareholders, other than the P&R Concert Group
“Offer Price”	the price at which the Offer will be made, being the cash amount of HK\$0.07 per Offer Share
“Offer Share(s)”	issued Cosmopolitan Share(s) other than those already owned or agreed to be acquired by the P&R Concert Group
“Options”	the options granted by the Cosmopolitan Group to each of the Paliburg Group and the Regal Group to subscribe for the CB2013(C) and CB2013(D) which were exercised on 2 July 2013
“Paliburg Facility”	the HK\$1,000,000,000 revolving credit facility made available by Capital Merit to P&R Holdings pursuant to a facility agreement between Capital Merit and P&R Holdings dated 20 August 2013
“Paliburg Group”	the Group excluding, for the purposes of this circular, the Regal Group
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules

DEFINITIONS

“PRC”	the People’s Republic of China
“P&R Concert Group”	P&R Holdings and parties acting in concert with it, including the Company, Century City, P&R Strategic, Regal, RH International, UBS, Mr. Jimmy Lo Chun To and Miss Lo Po Man
“P&R Group”	P&R Holdings and its subsidiaries
“P&R Holdings”	P&R Holdings Limited, a company incorporated in the British Virgin Islands and owned by the Paliburg Group and the Regal Group as to 50% each
“P&R Strategic”	P&R Strategic Limited (formerly known as Foster Success Limited), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of P&R Holdings
“Rainbow Lodge Properties”	a property comprising ten residential duplex units and 14 car parks in a completed residential development known as Rainbow Lodge located at 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong
“Rainbow Lodge Transaction”	the acquisition by P&R Holdings from the Cosmopolitan Group of a group of companies holding the Rainbow Lodge Properties, details of which have been set out in the announcement jointly issued by the Company, Century City and Regal dated 27 June 2013
“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 (BVI) Holdings”	Regal International (BVI) Holdings Limited, a wholly-owned subsidiary of Regal
“Regal Facility”	the HK\$1,000,000,000 revolving credit facility made available by Regal Investments to P&R Holdings pursuant to a facility agreement between Regal Investments and P&R Holdings dated 20 August 2013
“Regal Group”	Regal and its subsidiaries
“Regal Investments”	Regal Hotels Investments Limited, a wholly-owned subsidiary of Regal

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“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)
“Registrar”	Computershare Hong Kong Investor Services Limited, being the share registrar of Cosmopolitan and the receiving agent for receiving and processing the acceptance of the Offer, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“RH International”	RH International Finance Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Regal, the medium term notes of which are listed on the Main Board of the Stock Exchange (Stock Code: 4572)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 2,291,076,090 Cosmopolitan Shares acquired by Lendas from Giant Sino pursuant to the Acquisition and references in this circular to “Sale Shares” shall be construed accordingly
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it in the Listing Rules
“Sun Joyous”	Sun Joyous Investments Limited, a wholly-owned subsidiary of P&R Holdings
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tianjin Project”	a commercial, office, hotel and residential development project on a parcel of land located in Tianjin City, the PRC being undertaken by a wholly-owned subsidiary of Cosmopolitan

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“Tianjin Transaction”	the acquisition by the Cosmopolitan Group from the Regal Group of a group of companies holding a land parcel to be used for the development of the Tianjin Project, details of which have been set out in the announcement jointly issued by the Company, Century City and Regal dated 27 June 2013
“Time Crest”	Time Crest Investments Limited, a wholly-owned subsidiary of P&R Holdings
“UBS”	UBS AG, acting through its Hong Kong branch, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, being the sole financial adviser to P&R Holdings and P&R Strategic in relation to the Offer
“Valuegood”	Valuegood International Limited, a wholly-owned subsidiary of P&R Holdings
“Well Mount”	Well Mount Investments Limited, a wholly-owned subsidiary of P&R Holdings
“Winart”	Winart Investments Limited, a wholly-owned subsidiary of P&R Holdings
“%”	per cent

LETTER FROM THE BOARD



Executive Directors:

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)
Mr. Donald FAN Tung (*Chief Operating Officer*)
Mr. Jimmy LO Chun To
Miss LO Po Man
Mr. Kenneth NG Kwai Kai
Mr. Kenneth WONG Po Man

Independent non-executive Directors:

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP
Mr. NG Siu Chan
Hon. Abraham SHEK Lai Him, GBS, JP
Mr. WONG Chi Keung

*Head office and principal place
of business:*

11th Floor, 68 Yee Wo Street
Causeway Bay
Hong Kong

Registered office:

26 Burnaby Street
Hamilton HM 11
Bermuda

27 November 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF COSMOPOLITAN SHARES, CONVERSION OF COSMOPOLITAN CBs AND THE OFFER

INTRODUCTION

Reference is made to the Announcement jointly issued by the Company, Century City, Regal, RH International, P&R Holdings, P&R Strategic and Cosmopolitan dated 30 September 2013 in relation to, among others, the Acquisition, the Conversion and the Offer.

On 9 September 2013, P&R Holdings completed the acquisition of the entire issued share capital of and shareholders' loans to nine companies whose only assets comprised in aggregate 2,350,666,666 Cosmopolitan Shares and the Cosmopolitan CBs (which were convertible into an aggregate of 10,202,916,664 Conversion Shares based on their respective conversion prices) for a total consideration of approximately HK\$878.75 million (representing HK\$0.07 per Cosmopolitan Share and the underlying price per Conversion Share).

LETTER FROM THE BOARD

On 14 September 2013, Lendas, a wholly-owned subsidiary of P&R Holdings, and Giant Sino entered into the Acquisition Agreement pursuant to which Lendas acquired the Sale Shares (being 2,291,076,090 Cosmopolitan Shares) which represented approximately 19.44% of the entire issued share capital of Cosmopolitan as at that date for a total consideration of HK\$160,375,326.30 (equivalent to HK\$0.07 per Sale Share).

On 16 September 2013, the holders of the Cosmopolitan CBs (all being wholly-owned subsidiaries of P&R Holdings) served notices of conversion in respect of all of their respective Cosmopolitan CBs on the relevant issuers of the Cosmopolitan CBs (all being wholly-owned subsidiaries of Cosmopolitan). 10,202,916,664 Conversion Shares have been allotted and issued to the relevant holders of the Cosmopolitan CBs.

Immediately prior to the completion of the Acquisition and the allotment and issue of the Conversion Shares, the P&R Concert Group owned or controlled, in aggregate, 2,362,766,666 Cosmopolitan Shares, representing approximately 20.05% of the then entire issued share capital of Cosmopolitan.

Following completion of the Acquisition and the allotment and issue of the Conversion Shares and as at the Latest Practicable Date, the P&R Concert Group owned or controlled, in aggregate, 14,856,759,420 Cosmopolitan Shares, representing approximately 67.57% of the entire issued share capital of Cosmopolitan as at the Latest Practicable Date. As a result, P&R Holdings is required, and has procured 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 Takeovers Code for all of the issued Cosmopolitan Shares and any Cosmopolitan Shares duly issued while the Offer remains open for acceptance, other than those already owned or agreed to be acquired by the P&R Concert Group. As at the Latest Practicable Date, P&R Strategic has received valid acceptances of 253,125 Offer Shares under the Offer which are subject to settlement.

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

THE INITIAL ACQUISITION

Pursuant to the Initial Acquisition Agreement dated 20 August 2013 between P&R Holdings, Paliburg Development BVI Holdings Limited (a wholly-owned subsidiary of the Company), Regal Hotels (Holdings) Limited and Regal (BVI) Holdings (both wholly-owned subsidiaries of Regal), P&R Holdings acquired the entire issued share capital of and shareholders' loans to nine companies: (i) Winart, (ii) Lendas, (iii) Great Select, (iv) Jumbo Pearl, (v) Sun Joyous, (vi) Fountain Sky, (vii) Valuegood, (viii) Time Crest and (ix) Well Mount. The only assets of these nine companies acquired by P&R Holdings comprised in aggregate 2,350,666,666 Cosmopolitan Shares and the Cosmopolitan CBs (which were convertible into an aggregate of 10,202,916,664 Conversion Shares based on their respective conversion prices).

LETTER FROM THE BOARD

Consideration

The total consideration for the Initial Acquisition was approximately HK\$878.75 million (representing HK\$0.07 per Cosmopolitan Share and the underlying price per Conversion Share). The consideration per Cosmopolitan Share and the underlying price per Conversion Share of HK\$0.07 is equivalent to the Offer Price, the comparisons of value of which are set out in the section headed “Comparisons of value” in this letter.

Completion

Completion of the Initial Acquisition took place on 9 September 2013.

Further details regarding the Initial Acquisition Agreement are set out in the announcement on the Stock Exchange’s website jointly issued by the Company, Century City and Regal dated 20 August 2013.

THE ACQUISITION

On 14 September 2013, Lendas, a wholly-owned subsidiary of P&R Holdings, and Giant Sino entered into the Acquisition Agreement pursuant to which Lendas acquired the Sale Shares (being 2,291,076,090 Cosmopolitan Shares), which represented approximately 19.44% of the entire issued share capital of Cosmopolitan as at that date, for a total consideration of HK\$160,375,326.30 (equivalent to HK\$0.07 per Sale Share).

As at the Latest Practicable Date, Giant Sino was a wholly-owned subsidiary of Space Capital Investments Limited, which in turn was beneficially owned as to 28% by Mr. Daniel Bong Shu Yin (the chairman and an executive Cosmopolitan Director). Giant Sino and Space Capital Investments Limited are investment holding companies. As at the Latest Practicable Date, having made all reasonable enquiries, Giant Sino and its ultimate beneficial owners as stated above were third parties independent of the Company, Century City and their respective Connected Persons. Following the completion of the Acquisition and as at the Latest Practicable Date, Giant Sino held 2,112,500,000 Cosmopolitan Shares, representing approximately 9.61% of the entire issued share capital of Cosmopolitan as at the Latest Practicable Date.

Consideration

The consideration for the 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 then market price of Cosmopolitan Shares and the business prospects of Cosmopolitan. The consideration per Sale Share of HK\$0.07 is equivalent to the Offer Price, the comparisons of value of which are set out in the paragraph headed “Comparisons of value” below.

Condition precedent

Pursuant to the Listing Rules, the Acquisition, together with the Conversion and the Offer (as detailed below), constitutes a major transaction for each of the Company and Century City and

LETTER FROM THE BOARD

requires the approval of the respective shareholders of the Company and Century City, which has been granted by a closely allied group of shareholders of the Company and by a closely allied group of shareholders of Century City by way of written approval. All conditions precedent in respect of the Acquisition have been satisfied.

Completion

Completion of the Acquisition took place on 14 September 2013.

CONVERSION OF THE COSMOPOLITAN CBs

Background of the Cosmopolitan CBs

In 2007, Fancy Gold (a wholly-owned subsidiary of Cosmopolitan) issued the CB2010 in the aggregate principal amount of HK\$205 million to Valuegood, then a wholly-owned subsidiary of Regal (as to HK\$102.5 million in cash, equivalent to HK\$0.04 per Conversion Share at the time of the Conversion) and other subscribers (as to HK\$102.5 million in cash, equivalent to HK\$0.04 per Conversion Share at the time of the Conversion). In 2008, Valuegood acquired from one of the other subscribers the CB2010 in the principal amount of HK\$38.95 million at a consideration of HK\$76 million in cash, equivalent to approximately HK\$0.078 per Conversion Share at the time of the Conversion. On 9 September 2013, pursuant to the Initial Acquisition, P&R Holdings acquired, among other things, the Regal Group's entire interest in Valuegood whose only asset was its holding of the CB2010 in the principal amount of HK\$141.45 million, at a consideration of approximately HK\$247.54 million which is equivalent to HK\$0.07 per Conversion Share.

In 2008, Apex Team (a wholly-owned subsidiary of Cosmopolitan) issued the CB2013(A) and the CB2013(B) each in the principal amount of HK\$100 million to Jumbo Pearl (then a wholly-owned subsidiary of the Company) and Time Crest (then a wholly-owned subsidiary of Regal) respectively in cash (equivalent to HK\$0.06 per Conversion Share). In July 2013, pursuant to the exercise of the Options by Sun Joyous (then a wholly-owned subsidiary of the Company) and Well Mount (then a wholly-owned subsidiary of Regal), Apex Team issued the CB2013(C) and the CB2013(D) each in the principal amount of HK\$100 million to Sun Joyous and Well Mount respectively in cash (equivalent to HK\$0.06 per Conversion Share). On 9 September 2013, pursuant to the Initial Acquisition, P&R Holdings acquired, among other things, (1) the Paliburg Group's entire interests in Jumbo Pearl and Sun Joyous, and (2) the Regal Group's entire interests in Time Crest and Well Mount, for an aggregate consideration of approximately HK\$466.67 million which is equivalent to HK\$0.07 per Conversion Share. The only assets of these companies acquired by P&R Holdings were their respective holdings of the CB2013s.

As a result of the aforesaid transactions under the Initial Acquisition, the P&R Group held (1) the CB2010 in the principal amount of HK\$141.45 million which was convertible into 3,536,250,000 Conversion Shares at a conversion price of HK\$0.04 per Conversion Share; and (2) the CB2013s in the aggregate principal amount of HK\$400 million which were convertible into 6,666,666,664 Conversion Shares at a conversion price of HK\$0.06 per Conversion Share.

LETTER FROM THE BOARD

Conversion

On 16 September 2013, each of Valuegood, Jumbo Pearl, Time Crest, Sun Joyous and Well Mount (all being wholly-owned subsidiaries of P&R Holdings) served notices of conversion in respect of all of their respective Cosmopolitan CBs on the relevant issuers of the Cosmopolitan CBs (all being wholly-owned subsidiaries of Cosmopolitan). The number of Conversion Shares as set out below have been issued by Cosmopolitan to the relevant holders of the Cosmopolitan CBs pursuant to the Conversion:

- (1) 3,536,250,000 Conversion Shares issued to Valuegood pursuant to the conversion of the CB2010 in the principal amount of HK\$141.45 million at a conversion price of HK\$0.04 per Conversion Share;
- (2) 1,666,666,666 Conversion Shares issued to Jumbo Pearl pursuant to the conversion of the CB2013(A) in the principal amount of HK\$100 million at a conversion price of HK\$0.06 per Conversion Share;
- (3) 1,666,666,666 Conversion Shares issued to Time Crest pursuant to the conversion of the CB2013(B) in the principal amount of HK\$100 million at a conversion price of HK\$0.06 per Conversion Share;
- (4) 1,666,666,666 Conversion Shares issued to Sun Joyous pursuant to the conversion of the CB2013(C) in the principal amount of HK\$100 million at a conversion price of HK\$0.06 per Conversion Share; and
- (5) 1,666,666,666 Conversion Shares issued to Well Mount pursuant to the conversion of the CB2013(D) in the principal amount of HK\$100 million at a conversion price of HK\$0.06 per Conversion Share.

UNCONDITIONAL MANDATORY GENERAL CASH OFFER

Under Rule 26.1 of the Takeovers Code, a mandatory general offer must be made where any person or group of persons acting in concert acquire 30% or more of the voting rights of a company to which the Takeovers Code applies.

Immediately prior to the completion of the Acquisition and the allotment and issue of the Conversion Shares, the P&R Concert Group owned or controlled, in aggregate, 2,362,766,666 Cosmopolitan Shares, representing approximately 20.05% of the then entire issued share capital of Cosmopolitan.

Following the completion of the Acquisition and the allotment and issue of the Conversion Shares and as at the Latest Practicable Date, the P&R Concert Group owned and controlled, in aggregate, 14,856,759,420 Cosmopolitan Shares, representing approximately 67.57% of the entire issued share capital of Cosmopolitan as at the Latest Practicable Date. As a result, P&R Holdings is required, and has procured P&R Strategic (being a wholly-owned subsidiary of P&R Holdings), to

LETTER FROM THE BOARD

make an unconditional mandatory general cash offer under Rule 26.1 of the Takeovers Code for all of the issued Cosmopolitan Shares and any Cosmopolitan Shares duly issued while the Offer remains open for acceptance, other than those already owned or agreed to be acquired by the P&R Concert Group. As at the Latest Practicable Date, P&R Strategic has received valid acceptances of 253,125 Offer Shares under the Offer which are subject to settlement.

Principal terms of the Offer

UBS is making the Offer on behalf of P&R Strategic on the following terms:

for each Offer Share HK\$0.07 in cash.

The Offer Shares will be acquired by P&R Strategic fully paid and free from all liens, charges, options, equities, encumbrances or any other third party rights of any nature and together with all rights attaching or accruing to them as at the date of the Announcement or thereafter, including the right to all dividends and other distributions (if any) declared, made or paid after the date of the Announcement.

The Offer Price of HK\$0.07 per Offer Share represents a premium of approximately 1.4% over the closing price of HK\$0.069 per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day. The Offer Price of HK\$0.07 per Offer Share represents a discount of approximately 56.3% to the closing price of HK\$0.160 per Cosmopolitan Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Offer is not subject to any pre-condition or condition. It will be open for acceptance from the date of the Composite Document for a minimum period of 21 days.

Comparisons of value

The closing price of Cosmopolitan Shares as quoted on the Stock Exchange on the Last Trading Day was HK\$0.069.

The closing price of Cosmopolitan Shares as quoted on the Stock Exchange on the Latest Practicable Date was HK\$0.160.

The Offer Price of HK\$0.07 per Offer Share represents:

- (a) a discount of approximately 56.3% to the closing price of HK\$0.160 per Cosmopolitan Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 1.4% over the closing price of HK\$0.069 per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (c) a premium of approximately 1.4% over the average closing price of approximately HK\$0.069 per Cosmopolitan Share for the last five trading days up to and including the Last Trading Day;
- (d) a premium of approximately 2.9% over the average closing price of approximately HK\$0.068 per Cosmopolitan Share for the last 10 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 11.1% over the average closing price of approximately HK\$0.063 per Cosmopolitan Share for the last 30 trading days up to and including the Last Trading Day; and
- (f) a premium of approximately 12.9% over the average closing price of approximately HK\$0.062 per Cosmopolitan Share for the last 60 trading days up to and including the Last Trading Day.

Highest and lowest prices of Cosmopolitan Shares

The highest and lowest closing prices of Cosmopolitan Shares as quoted on the Stock Exchange during the six-month period preceding the Last Trading Day, and including the Last Trading Day, were respectively HK\$0.072 per Cosmopolitan Share on 28 June 2013 and HK\$0.044 per Cosmopolitan Share on 5 April 2013.

The Offer Price equals the highest consideration per Cosmopolitan Share (in the case of the Conversion Shares, the relevant consideration per Conversion Share) paid by the P&R Concert Group in six months prior to the date of the Announcement.

Apart from the Initial Acquisition, the Acquisition and the Conversion, there have been no other dealings in Cosmopolitan Shares by the P&R Concert Group in the six months prior to the date of the Announcement.

Total consideration

As at the Latest Practicable Date, there were 21,988,047,615 Cosmopolitan Shares in issue. As at the Latest Practicable Date, there were no outstanding warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Cosmopolitan Shares and Cosmopolitan has not entered into any agreement for the issue of any Cosmopolitan Shares or any warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Cosmopolitan Shares.

On the basis of 21,988,047,615 Cosmopolitan Shares in issue as at the Latest Practicable Date and assuming all Offer Cosmopolitan Shareholders accept the Offer in respect of all of the Offer Shares held by them (other than Giant Sino which has committed, pursuant to the GS Irrevocable Undertaking, not to accept the Offer in respect of the 2,112,500,000 Cosmopolitan Shares held by it as at the Latest Practicable Date), the Offer based on the Offer Price values the Offer Shares (other than those held by Giant Sino) at HK\$351,315,173.65.

LETTER FROM THE BOARD

Confirmation of financial resources

P&R Holdings intends to finance the total consideration payable by P&R Strategic under the Offer from funds made available to P&R Holdings by the Paliburg Group and the Regal Group pursuant to the Paliburg Facility and the Regal Facility. The payment of interest on and repayment of any liability (contingent or otherwise) by P&R Holdings under the Paliburg Facility and the Regal Facility with respect to funds drawn down to finance the Offer will not depend on the business of the Cosmopolitan Group.

UBS has been appointed as the sole financial adviser to P&R Holdings and P&R Strategic in relation to the Offer. UBS is satisfied that sufficient financial resources are, and will remain, available to P&R Strategic to satisfy acceptance of the Offer in full (other than in respect of the Offer Shares that are the subject of the GS Irrevocable Undertaking).

Holdings in Cosmopolitan Shares by the P&R Concert Group

UBS, being the sole financial adviser to P&R Holdings and P&R Strategic, together with its affiliates (other than those members having exempt principal trader or exempt fund manager status), are presumed to be members of the P&R Concert Group. As at the Latest Practicable Date, UBS did not hold any Cosmopolitan Shares except in its capacity as an exempt principal trader.

Following the completion of the Acquisition and the allotment and issue of the Conversion Shares and as at the Latest Practicable Date, the P&R Concert Group owned or controlled, in aggregate, 14,856,759,420 Cosmopolitan Shares, representing approximately 67.57% of the entire issued share capital of Cosmopolitan as at the Latest Practicable Date. The number of Cosmopolitan Shares held by each member of the P&R Concert Group as at the Latest Practicable Date is set out below:

Cosmopolitan Shareholder ^{Note (5)}	Number of Cosmopolitan Shares	Approximate % ^{Note (4)}
Fountain Sky ^{Note (3)}	334,000,000	1.52
Great Select ^{Note (3)}	466,666,666	2.12
Jumbo Pearl ^{Note (3)}	1,666,666,666	7.58
Lendas ^{Note (3)}	2,941,076,090	13.38
Mr. Jimmy Lo Chun To ^{Note (1)}	7,500,000	0.03
Miss Lo Po Man ^{Note (2)}	4,600,000	0.02
Sun Joyous ^{Note (3)}	1,666,666,666	7.58
Time Crest ^{Note (3)}	1,666,666,666	7.58
Valuegood ^{Note (3)}	3,536,250,000	16.08
Well Mount ^{Note (3)}	1,666,666,666	7.58
Winart ^{Note (3)}	900,000,000	4.09
Total	<u>14,856,759,420</u>	<u>67.57</u>

LETTER FROM THE BOARD

Notes:

1. Mr. Jimmy Lo Chun To is a director of the Company, Century City, P&R Holdings, P&R Strategic, Regal and RH International and has a beneficial interest in 7,500,000 Cosmopolitan Shares.
2. Miss Lo Po Man is a director of the Company, Century City, P&R Holdings, P&R Strategic, Regal and RH International and has a beneficial interest in 4,600,000 Cosmopolitan Shares.
3. Each of Fountain Sky, Great Select, Jumbo Pearl, Lendas, Sun Joyous, Time Crest, Valuegood, Well Mount and Winart is a wholly-owned subsidiary of P&R Holdings.
4. Due to rounding of the percentages, the accumulated percentage is slightly different from 67.57%.
5. As at the Latest Practicable Date, P&R Strategic has received valid acceptances of 253,125 Offer Shares under the Offer which are subject to settlement and have not been included in this figure.

EFFECT OF ACCEPTING THE OFFER

In addition to the terms set out in the Composite Document, the Offer is made on the basis that acceptance of the Offer by any person will constitute a warranty by such person to P&R Holdings and P&R Strategic that the Offer Shares acquired are fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and will be acquired together with all rights now or hereafter attaching or accruing to them, including the right to all dividends and other distributions (if any) declared, made or paid after the date of the Announcement.

The Offer will be made in compliance with the Takeovers Code which is administered by the Executive.

SETTLEMENT OF CONSIDERATION

A cheque for the amount due to each Offer Cosmopolitan Shareholder who validly accepts the Offer (less sellers' ad valorem stamp duty payable for the Offer Shares tendered by him under the Offer) will be despatched to the accepting Offer Cosmopolitan Shareholder by ordinary post at his own risk as soon as possible but in any event within seven Business Days following the date of receipt of the duly completed Form of Acceptance and all relevant documents by the Registrar from the Offer Cosmopolitan Shareholder accepting the Offer.

No fractions of a cent will be payable and the amount of cash consideration payable to an Offer Cosmopolitan Shareholder who accepts the Offer will be rounded up to the nearest cent.

STAMP DUTY

Sellers' ad valorem stamp duty arising in connection with acceptance of the Offer which is payable by each accepting Offer Cosmopolitan Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by P&R Strategic for such person's Offer Shares will be deducted from the cash amount due to such accepting Offer Cosmopolitan Shareholder.

LETTER FROM THE BOARD

P&R Strategic will arrange for payment of the sellers' ad valorem stamp duty on behalf of each accepting Offer Cosmopolitan Shareholder and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares on its own behalf.

IRREVOCABLE UNDERTAKINGS

GS Irrevocable Undertaking

On 14 September 2013, Giant Sino, which was at that time interested in 4,403,576,090 Cosmopolitan Shares (representing approximately 37.37% of the then entire issued share capital of Cosmopolitan) and as at the Latest Practicable Date, was interested in 2,112,500,000 Cosmopolitan Shares (representing approximately 9.61% of the entire issued share capital of Cosmopolitan as at the Latest Practicable Date), executed an irrevocable undertaking in favour of P&R Strategic, pursuant to which Giant Sino has irrevocably undertaken to P&R Strategic that it will not and will procure that none of its nominees, companies controlled by it or trusts associated with it:

- (a) accept the Offer in respect of any of the Cosmopolitan Shares legally or beneficially owned by Giant Sino; or
- (b) sell, transfer, charge, pledge or otherwise encumber or grant any option or other right over or create any derivative of or otherwise deal with any Cosmopolitan Shares legally or beneficially owned by Giant Sino or any interest therein, or enter into any agreement or arrangement with any person to do any such prohibited acts,

until the Offer is withdrawn or the Offer closes in accordance with its terms, whichever occurs first.

Giant Sino has also irrevocably undertaken to P&R Strategic that it will not and will procure that none of its associates shall own, hold, acquire or offer to acquire any interest that would result in Giant Sino or any of its subsidiaries, owning, holding or becoming interested in, in aggregate, 10% or more of the Cosmopolitan Shares in issue at the relevant time or being entitled to exercise 10% or more of the voting power at any general meeting of Cosmopolitan. This obligation will terminate upon the earlier of the Offer being withdrawn and 30 calendar days after the Offer closing in accordance with its terms.

NAM Irrevocable Undertaking

On 1 November 2013, New Asia Media, which was as at the Latest Practicable Date interested in 1,446,064,745 Cosmopolitan Shares (representing approximately 6.58% of the entire issued share capital of Cosmopolitan as at the Latest Practicable Date), executed an irrevocable undertaking in favour of P&R Strategic, pursuant to which New Asia Media has irrevocably undertaken to P&R Strategic that:

- (a) it will not and will procure that none of its nominees, companies controlled by it or trusts associated with it will accept the Offer in respect of any of the Cosmopolitan Shares legally or beneficially owned by New Asia Media; or

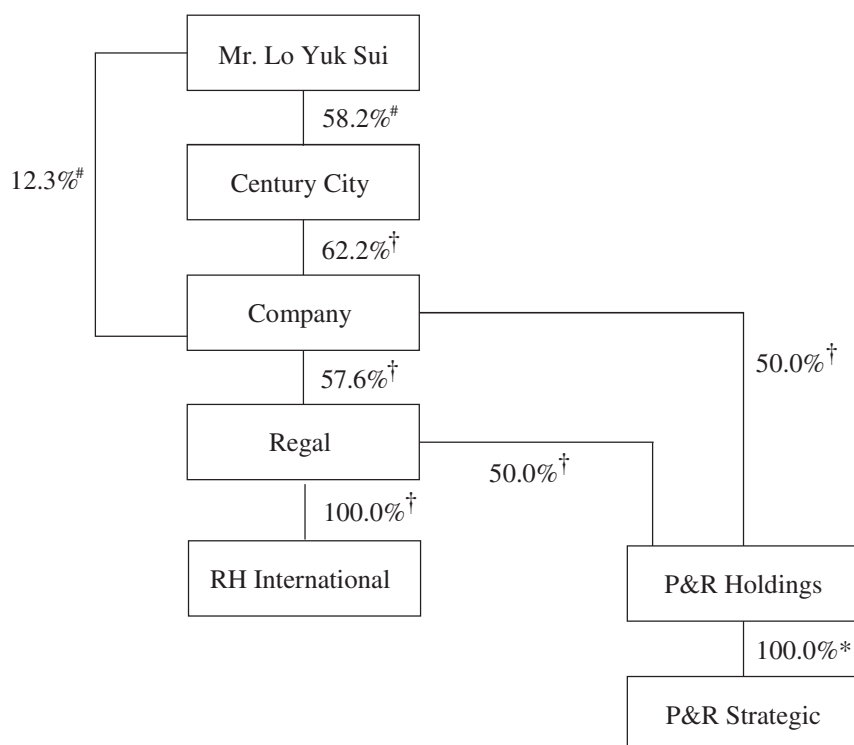
LETTER FROM THE BOARD

- (b) it will not sell any Cosmopolitan Shares legally or beneficially owned by New Asia Media or any interest therein, including without limitation by way of acceptance of any offer to acquire the whole or any part of the share capital of Cosmopolitan, provided that New Asia Media shall not be prohibited from pledging, charging, transferring or creating a mortgage or other forms of encumbrance over any Cosmopolitan Shares held or owned by New Asia Media as security in favour of any person or corporation in securing any obligations or liabilities of New Asia Media or that of its holding company, subsidiary or associate company or pursuant to or in connection with such security or any agreement so to do,

until the Offer is withdrawn or the Offer closes in accordance with its terms, whichever occurs first.

INFORMATION ON THE COMPANY, CENTURY CITY, P&R HOLDINGS, P&R STRATEGIC, REGAL AND RH INTERNATIONAL

Set out below is shareholding chart of the Company, Century City, P&R Holdings, P&R Strategic, Regal and RH International as at the Latest Practicable Date:



† indirect shareholding

* direct shareholding

direct and indirect shareholding

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As at the Latest Practicable Date, the Company was a 62.2%-owned subsidiary of Century City and Regal was a 57.6%-owned subsidiary of the Company and an indirect subsidiary of Century City. Each of the Paliburg Group and the Regal Group owns 50% of the shares in P&R Holdings, which is a subsidiary of the Company and Century City and a joint venture of Regal. P&R Strategic is a wholly-owned subsidiary of P&R Holdings.

The Century City Group and the Paliburg Group are principally engaged in property investment and development, construction and building related businesses, securities and other investments.

The Regal Group's significant investments and principal business activities mainly comprise hotel ownership (undertaken through Regal REIT), hotel operation and management business, asset management of Regal REIT, property development and investment and other investment businesses.

P&R Holdings is a company incorporated in the British Virgin Islands and is engaged in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities including the acquisition or making of any investments (directly or indirectly) in the securities of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financing activities where the underlying assets or security comprise real estate properties.

P&R Strategic is a company incorporated in the British Virgin Islands on 2 July 2013 and its principal business is investment holding. P&R Strategic has not carried out any business since incorporation, other than matters in connection with the Offer.

RH International is a wholly-owned subsidiary of Regal, the medium-term notes of which are listed on the Main Board of the Stock Exchange.

INTENTIONS OF P&R HOLDINGS AND P&R STRATEGIC IN RELATION TO COSMOPOLITAN

P&R Holdings and P&R Strategic intend to continue with the existing operation of Cosmopolitan. Save as disclosed in the following paragraph, P&R Holdings and P&R Strategic do not intend to introduce any major changes to the business or operations of the Cosmopolitan Group as a result of the Offer, including any redeployment of its assets or any injection of major assets by P&R Holdings and P&R Strategic into the Cosmopolitan Group or any disposal of major assets of the Cosmopolitan Group (which are not in the ordinary and usual course of business of the Cosmopolitan Group) or employee changes. However, it is the intention of P&R Holdings and P&R Strategic that, following closing of the Offer, they will initiate a review on the business activities of Cosmopolitan for the purpose of formulating business plans and strategies for the future business development of Cosmopolitan.

P&R Holdings and P&R Strategic intend to nominate Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man as executive Cosmopolitan Directors, and Ms. Alice Kan Lai Kuen and Hon. Abraham Shek Lai Him as independent non-executive Cosmopolitan Directors, and such appointments may take effect after the Closing Date subject to compliance with the Takeovers Code, the Listing Rules and the articles of association of Cosmopolitan.

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In addition, P&R Holdings and P&R Strategic also intend to effect the following re-designations and appointments in the offices of the Cosmopolitan Directors when the new additional Cosmopolitan Directors are appointed:

- Mr. Daniel Bong Shu Yin will retire as the Chairman of the Cosmopolitan Board but will continue as an executive Cosmopolitan Director;
- Mr. Lo Yuk Sui will be designated as the Chairman of the Cosmopolitan Board and appointed as the chief executive officer of Cosmopolitan;
- Mr. Jimmy Lo Chun To will be designated as a vice-chairman of the Cosmopolitan Board and appointed as the managing director of Cosmopolitan;
- Miss Lo Po Man will also be designated as a vice-chairman of the Cosmopolitan Board;
- Mr. Kenneth Wong Po Man, presently a non-executive Cosmopolitan Director, will be re-designated as an executive Cosmopolitan Director and appointed as the chief operating officer of Cosmopolitan;
- Mr. Kelvin Leung So Po, presently a non-executive Cosmopolitan Director, will be re-designated as an executive Cosmopolitan Director and appointed as the chief financial officer of Cosmopolitan; and
- Mr. Kenneth Ng Kwai Kai, presently a non-executive Cosmopolitan Director, will be re-designated as an executive Cosmopolitan Director.

Any changes to the composition of the board of directors of Cosmopolitan will be announced by Cosmopolitan in due course.

The biographies of the proposed new Cosmopolitan Directors are set out below:

Mr. Lo Yuk Sui, aged 69, has been the chairman and managing director since 1993 and designated as chief executive officer in 2007. Mr. Lo has been the managing director and the chairman of the predecessor listed company of the Group since 1984 and 1986 respectively. He is also the chairman and chief executive officer of Century City and Regal, and the non-executive chairman of Regal Portfolio Management Limited (“**RPML**”), the manager of Regal REIT. Mr. Lo is a qualified architect. In his capacity as the chief executive officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Jimmy Lo Chun To, aged 39, is an executive Director and was appointed to the Board in 1999. He is also an executive director of Century City and Regal and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a degree in

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Architecture. He joined the Century City Group in 1998. Apart from his involvement in the design of the Group's property projects and the hotel projects of the Regal Group, Mr. Jimmy Lo undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, aged 34, is an executive Director and was appointed to the Board in 2007. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a bachelor's degree in Psychology. She is also an executive director of Century City and Regal and a non-executive director of RPML. Miss Lo joined the Regal Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing functions of the Regal Group and directed the marketing campaign of the Regal Group's luxury residential development, Regalia Bay, in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the Regal Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Ms. Alice Kan Lai Kuen, aged 59, is an independent non-executive director of Regal. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed investment adviser under the SFO and a responsible officer of Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Engene International (Holdings) Limited, Shimao Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited.

Hon. Abraham Shek Lai Him, GBS, JP, aged 68, is an independent non-executive Director and was invited to the Board in 2002. Mr. Shek holds a bachelor's degree in Arts. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region. He is also a member of the court of The Hong Kong University of Science and Technology, member of both of the court and the council of The University of Hong Kong, director of The Hong Kong Mortgage Corporation Limited and vice chairman of Independent Police Complaints Council. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of the Company, China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited, SJM Holdings Limited and Titan Petrochemicals Group Limited (provisional liquidators appointed), and an independent non-executive director of Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited, Lai Fung Holdings Limited and MTR Corporation

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Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange), and RPML.

INFORMATION ON COSMOPOLITAN

The Cosmopolitan Group is principally engaged in property investment and development, securities investment and other investments. The Cosmopolitan Group reported audited profits before and after tax of approximately HK\$504.3 million and HK\$525.3 million, respectively, for the financial year ended 31 March 2012 and audited profits both before and after tax of approximately HK\$29.1 million for the financial year ended 31 March 2013. As at 31 March 2013, the Cosmopolitan Group reported audited net assets of approximately HK\$602.7 million. Based on Cosmopolitan's circular to its shareholders dated 28 August 2013, the Cosmopolitan Group's pro forma net assets as at 31 March 2013 after taking into account the Chengdu Transactions and the Tianjin Transaction (which were completed on 13 September 2013) amounted to approximately HK\$632.3 million. The pro forma information was prepared for illustration purposes only and has not taken into consideration other transactions or events, including, among others, the issue of the CB2013(C) and CB2013(D) and the disposal of the Cosmopolitan Group's entire equity interest in a group of companies (the "**Rainbow Lodge Group**") holding the Rainbow Lodge Properties (the "**Disposal**"). Given that the consideration for the Disposal is equivalent to the net assets of the Rainbow Lodge Group (excluding the shareholder loans which were assigned to the purchaser pursuant to the Disposal) as at 31 March 2013, the Disposal would not result in any material impact on the consolidated net asset value of Cosmopolitan as at 31 March 2013. In the audited consolidated net asset value of Cosmopolitan as at 31 March 2013 and the aforesaid pro forma financial information, there were consolidated liabilities of approximately HK\$452.1 million in relation to the CB2010, CB2013(A), CB2013(B) and the Options (which were subsequently exercised) which have been settled as a result of the issue of the CB2013(C) and CB2013(D), and the Conversion. Based on the aforesaid Cosmopolitan's consolidated pro forma net assets of HK\$632.3 million and after (1) including the net proceeds of HK\$200 million from the issue of the CB2013(C) and CB2013(D) and a corresponding increase in liabilities of HK\$200 million in respect of the issue of the CB2013(C) and CB2013(D), and (2) adding back the liabilities of HK\$452.1 million in relation to the CB2010, CB2013(A), CB2013(B) and the Options as at 31 March 2013 as well as liabilities of HK\$200 million in respect of the CB2013(C) and CB2013(D), the consolidated pro forma net assets of Cosmopolitan would have increased to HK\$1,284.4 million, representing HK\$0.058 per Cosmopolitan Share (based on 21,988,047,615 Cosmopolitan Shares in issue after the issue and allotment of 10,202,916,664 Cosmopolitan Shares pursuant to the Conversion), which in turn represents a discount of 17.1% to the Offer Price.

LETTER FROM THE BOARD

Shareholding structure of Cosmopolitan

The shareholding structure of Cosmopolitan as at the Latest Practicable Date is described below:

Cosmopolitan Shareholder	Number of Cosmopolitan Shares	Approximate % ^{Note (3)}
P&R Concert Group ^{Note (5)}	14,856,759,420	67.57
Giant Sino ^{Notes (1) and (4)}	2,112,500,000	9.61
Culture Landmark Investment Limited ^{Notes (2) and (4)}	1,446,064,745	6.58
Other shareholders ^{Note (4)}	<u>3,572,723,450</u>	<u>16.25</u>
Total	<u>21,988,047,615</u>	<u>100.00</u>

Notes:

1. Mr. Daniel Bong Shu Yin, the chairman and an executive director of Cosmopolitan, held a 28% indirect shareholding interest in Giant Sino as at the Latest Practicable Date.
2. Culture Landmark Investment Limited (“**Culture Landmark**”) is listed on the Main Board of the Stock Exchange (Stock Code: 674). As at the Latest Practicable Date, the Group held 9,000,000 shares in Culture Landmark (representing approximately 1.5% of the issued share capital therein); the Regal Group held 18,714,600 shares in Culture Landmark (representing approximately 3.1% of the issued share capital therein); and the Cosmopolitan Group held 27,381,000 shares in Culture Landmark (representing approximately 4.6% of the issued share capital therein). The 1,446,064,745 Cosmopolitan Shares were held through New Asia Media, a wholly-owned subsidiary of Culture Landmark.
3. Due to rounding of the percentages, the accumulated percentage is slightly different from 100%.
4. For the purposes of Rule 8.24 of the Listing Rules, Giant Sino, Culture Landmark and the other shareholders are classified as public shareholders.
5. As at the Latest Practicable Date, P&R Strategic has received valid acceptances of 253,125 Offer Shares under the Offer which are subject to settlement and have not been included in this figure.

COMPULSORY ACQUISITION

P&R Holdings and P&R Strategic do not intend to acquire compulsorily those Cosmopolitan Shares not acquired by P&R Strategic under the Offer in accordance with section 88 of the Cayman Islands Companies Law and the Takeovers Code.

MAINTAINING THE LISTING STATUS OF COSMOPOLITAN

P&R Holdings and P&R Strategic do not have any intention to privatise Cosmopolitan by means of the Offer. P&R Holdings and P&R Strategic intend that Cosmopolitan shall maintain the listing of the Cosmopolitan Shares on the Stock Exchange after the close of the Offer.

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The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to Cosmopolitan, being 25% of the issued Cosmopolitan Shares, are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Cosmopolitan Shares; or (ii) there are insufficient Cosmopolitan Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Cosmopolitan Shares.

The directors of P&R Holdings and P&R Strategic understand that Rule 8.08 of the Listing Rules relating to the minimum prescribed percentage of Cosmopolitan Shares to be held by the public has to be complied with. The directors of P&R Holdings and P&R Strategic have jointly and severally undertaken and any new director to be appointed to the board of directors of Cosmopolitan will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that Rule 8.08 of the Listing Rules is complied with after the close of the Offer.

REASONS FOR AND BENEFITS OF THE ACQUISITION, CONVERSION AND OFFER

The Cosmopolitan Group is principally engaged in, among other segments, property development and investment in the PRC. After completion of the Chengdu Transactions and the Tianjin Transaction and the sale of the Rainbow Lodge Properties from the Cosmopolitan Group to the P&R Group (details of which have been set out in a joint announcement of the Company, Century City and Regal dated 27 June 2013 and in Cosmopolitan's announcement dated 27 June 2013 and circular to shareholders dated 28 August 2013), the Cosmopolitan Group has now built up a portfolio of property development projects in the PRC, including the Chengdu Project, the Tianjin Project and its existing re-forestation and land exchange project in Xinjiang, the PRC (the "**Xinjiang Project**"). P&R Holdings considers that the current business structure, portfolio and focus of Cosmopolitan have good prospects. Further information on the Chengdu Project, the Tianjin Project and the Xinjiang Project can be found in Cosmopolitan's circular to its shareholders dated 28 August 2013 and Cosmopolitan's annual report for the year ended 31 March 2013.

Upon completion of the Chengdu Transactions, the Tianjin Transaction and the disposal of the Rainbow Lodge Properties, on 13 September 2013, the Cosmopolitan Group owed a total of approximately HK\$3.2 billion (subject to adjustments based on audited completion accounts) to P&R Holdings, Faith Crown (being one of the vendors of the Chengdu Transactions), the Group and the Regal Group repayable within 3 years. The Group has also provided to the Cosmopolitan Group a standby facility of HK\$200 million repayable within 2 years in order to fund the development of the Chengdu Project and/or the Tianjin Project and/or other general working capital requirements. Following conversion of the Cosmopolitan CBs, Cosmopolitan's consolidated net asset value has been strengthened by eliminating the liabilities relating to the Cosmopolitan CBs. As at 31 March 2013, Cosmopolitan had an audited consolidated net asset value of HK\$602.7 million after netting off total audited consolidated liabilities of approximately HK\$452.1 million recorded on its balance sheet in relation to the Cosmopolitan CBs (including derivative financial liabilities in respect of the Options which were subsequently exercised by the Paliburg Group and the Regal Group on 2 July 2013 for an aggregate cash proceeds of HK\$200 million).

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The Cosmopolitan CBs were convertible on or before 16 September 2013 by the holders of the Cosmopolitan CBs. The conversion prices were respectively HK\$0.04 and HK\$0.06 per Conversion Share and were lower than or comparable to the then market price of Cosmopolitan Shares traded on the Stock Exchange and therefore the directors of P&R Holdings considered that conversion of the Cosmopolitan CBs was in the interest of P&R Holdings.

The Offer Price is equal to the price per Cosmopolitan Share and the underlying price per Conversion Share paid by members of the P&R Concert Group to acquire 2,350,666,666 Cosmopolitan Shares and the Cosmopolitan CBs pursuant to the Initial Acquisition and the Sale Shares pursuant to the Acquisition, being the highest price paid by the P&R Concert Group for a Cosmopolitan Share (or a Conversion Share) within the past 6 months from the date of the Announcement.

The Cosmopolitan CBs were subject to a restriction such that conversion would not be permitted if as a result there would be insufficient public float of Cosmopolitan Shares on the Stock Exchange. Following completion of the Acquisition and the Conversion, Giant Sino ceased to be a substantial shareholder and a Connected Person of Cosmopolitan and its shareholding is treated as being in public hands.

Given the above business commercial reasons and the conversion prices of the Cosmopolitan CBs, the Directors considered that the Acquisition, the Conversion and the Offer were on normal commercial terms and were in the interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION, THE CONVERSION AND THE OFFER

As a result of the Acquisition and Conversion, on 16 September 2013, Cosmopolitan became a subsidiary of each of Century City and the Company. As such, the accounts of the Cosmopolitan Group will be consolidated into the accounts of Century City and the Company.

As detailed in the unaudited pro forma statement of assets and liabilities of the Enlarged Group in Appendix III to this circular, assuming the Acquisition, the Conversion and the Offer were completed as at 30 June 2013, the total assets as at 30 June 2013 would have decreased from approximately HK\$34,075.8 million to HK\$33,564.3 million on a pro forma basis, the total liabilities would have decreased from HK\$13,653.3 million to HK\$12,934.9 million on a pro forma basis and the net assets would have increased from HK\$20,422.5 million to HK\$20,629.4 million on a pro forma basis.

On the bases that the Acquisition and the Conversion were completed on 30 June 2013, a goodwill of approximately HK\$361.2 million on a pro forma basis is estimated to be recognised upon the consolidation of Cosmopolitan as a subsidiary of the Company. This estimated goodwill is prepared for illustrative purpose only, and because of its hypothetical nature, the amount recognised on the actual date of completion of the Acquisition and the Conversion may be different from this estimated goodwill which is calculated based on the pro forma financial information at 30 June 2013.

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On the bases that the Acquisition and the Conversion were completed on 30 June 2013, a net fair value loss of HK\$44.3 million on the Sale Shares and the Conversion Shares on a pro forma basis is estimated to be recognised immediately in the earnings of the Group based on the fair value of the Cosmopolitan Shares as at 30 June 2013. Apart from such net fair value loss calculated on a pro forma basis, the Acquisition, the Conversion and the Offer are not expected to have any material immediate effect on the earnings of the Group upon the completion of the Acquisition, the Conversion and the Offer which are assumed to have taken place on 30 June 2013.

Further details of the financial effects of the Acquisition, the Conversion and the Offer, assuming the completion thereof took place on 30 June 2013, on the assets and liabilities of the Enlarged Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out in Appendix III to this circular.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition, the Conversion and the Offer in aggregate exceeds 25% but all applicable percentage ratios are less than 100%, the Acquisition, the Conversion and the Offer taken together constitute a major transaction for the Company subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interests in the Acquisition, the Conversion and the Offer. As such, no Shareholder would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Acquisition, the Conversion and the Offer.

The Acquisition, the Conversion and the Offer have been approved by way of written approval in accordance with Rule 14.44 of the Listing Rules by a closely allied group of Shareholders who in aggregate hold approximately 74.48% of the issued share capital of the Company as at the Latest Practicable Date. The closely allied group of Shareholders comprises Mr. Lo Yuk Sui himself, who personally owns approximately 8.08% of the issued share capital of the Company as at the Latest Practicable Date, and companies wholly or majority owned and controlled by Mr. Lo Yuk Sui consisting of (i) Select Wise Holdings Limited, which owns approximately 1.46% of the issued share capital of the Company, (ii) Splendid All Holdings Limited, which owns approximately 2.73% of the issued share capital of the Company, (iii) Almighty International Limited, which owns approximately 31.07% of the issued share capital of the Company, (iv) Century City Holdings Limited, which owns approximately 2.73% of the issued share capital of the Company, (v) Cleverview Investments Limited, which owns approximately 16.22% of the issued share capital of the Company, (vi) Gold Concorde Holdings Limited, which owns approximately 2.61% of the issued share capital of the Company, (vii) Meylink Limited, which owns approximately 4.36% of the issued share capital of the Company, (viii) Smartaccord Limited, which owns approximately 0.75% of the issued share capital of the Company, and (ix) Splendour Corporation, which owns approximately 4.46% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, no shareholders' meeting of the Company will be convened for the purpose of approving the Acquisition, the Conversion and the Offer.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

I. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012 AND FOR THE SIX MONTHS ENDED 30 JUNE 2013

Financial information of the Group for each of the three years ended 31 December 2010, 2011 and 2012 is disclosed on pages 43 to 124 of the annual report of the Company for the year ended 31 December 2011 and pages 41 to 151 of the annual report of the Company for the year ended 31 December 2012 and financial information of the Group for the six months ended 30 June 2013 is disclosed on pages 25 to 52 of the interim report of the Company for the six months ended 30 June 2013, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.paliburg.com.hk).

II. INDEBTEDNESS

As at the close of business on 30 September 2013, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding borrowings of approximately HK\$10,336.9 million which represented (i) bank loans of HK\$6,072.6 million secured by certain of the Enlarged Group's property, plant and equipment, investment properties, properties held for sale and time deposits, (ii) unsecured notes of US\$300.0 million (approximately HK\$2,326.2 million) issued under a US\$1,000.0 million medium term note programme of Regal, and (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 ("**Regal REIT MTN Programme**").

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 30 September 2013, 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.

III. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources, the present banking facilities available to the Enlarged Group and the completion of the Acquisition, the Conversion and the Offer, the Enlarged 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.

IV. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Group were made up.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The significant investments and principal business activities of the Group mainly comprise property investment and development, construction and building related businesses, securities and other investments, hotel operation and management, and asset management of Regal REIT and hotel ownership.

The Hong Kong Special Administrative Region Government has recently imposed additional stamp duties on property transactions in an attempt to curb short term speculations and to cool down overheated demands. The government has also announced that it will make available more development lands for public tenders or auctions to ensure a steady future supply of land for new developments. The Group considers that these measures could help in creating a stable environment for the healthy development of the real estate market in Hong Kong and remains optimistic of the continuing prosperity of the local property sector.

In April 2013, P&R Holdings completed the acquisition of certain properties at Ha Heung Road, To Kwa Wan, Kowloon at a consideration of HK\$464.3 million. It is intended that the properties will be developed into a hotel with 340 guestrooms, with a total gross floor area of about 6,298 square meters.

On 14 June 2013, a wholly-owned subsidiary of P&R Holdings was awarded by the Government of Hong Kong the land parcel located at Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories, Hong Kong. The land has a site area of 5,090 square meters and maximum gross floor area of 15,270 square meters. The project is presently planned to be developed into a shopping mall for rental purposes. Details of the transaction were set out in the joint announcement of the Company, Century City and Regal dated 17 June 2013.

On 27 June 2013, among other transactions, P&R Holdings entered into a sale and purchase agreement to dispose of its interests in Chengdu Group to the Cosmopolitan Group. On 27 June 2013, P&R Holdings also entered into a conditional agreement to acquire certain properties in Hong Kong from the Cosmopolitan Group. Details in respect of the aforesaid transactions were set out in the joint announcement of the Company, Century City and Regal dated 27 June 2013.

On 28 June 2013, P&R Holdings entered into a conditional agreement to dispose of its interest in a hotel in Sheung Wan, Hong Kong (the “**Sheung Wan Hotel**”) to Regal REIT. On 28 June 2013, P&R Holdings also entered into a conditional agreement to grant an option to Regal REIT entitling Regal REIT to acquire a hotel in North Point, Hong Kong (the “**North Point Hotel**”) from P&R Holdings. Details in respect of the aforesaid transactions were set out in the circular of the Company dated 29 June 2013. Respective approvals of the independent shareholders of Regal and the independent unitholders of Regal REIT for the aforesaid transactions were obtained on 18 July 2013 and an aggregate amount of HK\$1,948 million has been paid by Regal REIT to P&R Holdings (and subsequently distributed by P&R Holdings to its shareholders) comprising the deposit for the acquisition of the Sheung Wan Hotel (of HK\$948 million), and the option fee (of HK\$10 million) and the refundable cash collateral (of HK\$990 million) in respect of the option to acquire the North Point Hotel.

On 2 July 2013, the Paliburg Group exercised an option to subscribe for additional Cosmopolitan CBs in the principal amount of HK\$100 million as set out in the joint announcement of the Company, Century City and Regal dated 2 July 2013.

On 20 August 2013, the relevant members of the Paliburg Group and the Regal Group entered into a conditional agreement with P&R Holdings to dispose of their respective interests in the companies holding in aggregate approximately 2,350.7 million Cosmopolitan Shares and the Cosmopolitan CBs to P&R Holdings. Details of such transaction were set out in the joint announcement of the Company, Century City and Regal dated 20 August 2013.

On 14 September 2013, Lendas, a wholly-owned subsidiary of P&R Holdings, and Giant Sino entered into the Acquisition Agreement pursuant to which Lendas acquired the Sale Shares (being 2,291,076,090 Cosmopolitan Shares), which represented approximately 19.44% of the entire issued share capital of Cosmopolitan as at that date, for a total consideration of HK\$160,375,326.30 (equivalent to HK\$0.07 per Sale Share).

On 16 September 2013, each of Valuegood, Jumbo Pearl, Time Crest, Sun Joyous and Well Mount (all being wholly-owned subsidiaries of P&R Holdings) served notices of conversion in respect of all of their respective Cosmopolitan CBs on the relevant issuers of the Cosmopolitan CBs (all being wholly-owned subsidiaries of Cosmopolitan).

The Group has strong financial resources and is both committed and well prepared to pursue the new acquisition opportunities that will become available, with a view to further expanding its property portfolio.

Regal Group

Hong Kong has embarked on various initiatives to increase tourism facilities, such as the Kai Tak International Cruise Terminal and the expansion projects at Hong Kong Disneyland and Ocean Park. The Government of Hong Kong is also undertaking major infrastructural development projects to improve connectivity as well as efficiencies for business activities, including, more notably, the expansion of the Hong Kong International Airport, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge. These will all benefit directly or indirectly the development of its tourism and hotel industries in the long run.

The Regal Group is optimistic on the continuing prospects of the tourism and hotel markets in Hong Kong and, jointly with Regal REIT, are committed to maintaining its position as one of the pre-eminent hotel groups in Hong Kong. Through P&R Holdings, four new hotels are being developed in Hong Kong including the Sheung Wan Hotel and the North Point Hotel. Although there will be quite a number of new hotels that will come on stream in Hong Kong over the course of the next few years, many of those new hotels are of relatively smaller sizes or are located in non-traditional business or tourist districts. The Regal Group believes that it has distinctive competitive advantages over such new hotels due to its operational efficiencies attained through economies of scale as well as its broad hotel network and well-established marketing platform.

When Regal REIT was separately listed from the Regal Group in 2007 to become the first listed hospitality real estate investment trust in Hong Kong, it has always been intended that the Regal Group will act as a key provider of potential acquisition targets to Regal REIT when it implements its plans to expand its properties portfolio. In January 2013, Regal REIT established the Regal REIT MTN Programme as a funding platform to finance such expansion plan including the acquisition of the Sheung Wan Hotel and the possible acquisition of the North Point Hotel.

On 27 June 2013, among other transactions, the Regal Group entered into a conditional agreement to dispose of companies holding a piece of land in Tianjin, the PRC to the Cosmopolitan Group. On 27 June 2013, Faith Crown (a 50-50 joint venture of Regal and Cosmopolitan) entered into the Chengdu Agreement to dispose of its interests in the Chengdu Group to the Cosmopolitan Group. Details of the aforesaid transactions were set out in the joint announcement of the Company, Paliburg and Regal dated 27 June 2013.

On 2 July 2013, the Regal Group exercised an option to subscribe for additional convertible bonds in the principal amount of HK\$100 million in Cosmopolitan Group as set out in the joint announcement of the Company, Paliburg and Regal dated 2 July 2013.

The Regal Group is committed to further investing in its core hotel and property businesses with an objective to achieve continuing growth.

With regard to the financial and business review of the Cosmopolitan Group, please refer to Appendix II to this circular.

I. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COSMOPOLITAN GROUP FOR THE THREE YEARS ENDED 31 MARCH 2011, 2012 AND 2013

Financial information of the Cosmopolitan Group for each of the three years ended 31 March 2011, 2012 and 2013 is disclosed on pages 31 to 104 of the annual report of Cosmopolitan for the year ended 31 March 2012 (the “**Annual Report 2012**”) and pages 40 to 110 of the annual report of Cosmopolitan for the year ended 31 March 2013 (the “**Annual Report 2013**”), which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of Cosmopolitan (www.cosmoholdings.com).

II. MANAGEMENT DISCUSSION AND ANALYSIS ON THE COSMOPOLITAN GROUP**For the year ended 31 March 2011***Business and financial review*

The Cosmopolitan Group recorded a consolidated profit of approximately HK\$215.1 million for the year ended 31 March 2011, as compared with a loss of HK\$330.4 million recorded in the previous year. The consolidated profit achieved for the year ended 31 March 2011 was attributed mainly to the decrease in the derivative financial liabilities of approximately HK\$232.5 million due to the change in fair value, as valued by an independent professional valuer, of the Options granted by the Cosmopolitan Group in 2008 to the Regal Group and the Paliburg Group. Such decrease in the fair value of the derivative financial liabilities was mainly due to the fact that the closing market price of the Cosmopolitan Shares as at 31 March 2011 was below that prevailing at 31 March 2010. The net increase in the financial assets at fair value through profit and loss amounted to approximately HK\$22,690,000, which were marked to market closing prices as at 31 March 2011.

The principal activities of the Cosmopolitan Group during the year ended 31 March 2011 continued to be property development and investment, securities investments, and other investments. The turnover of the Cosmopolitan Group for the year ended 31 March 2011 was HK\$160.2 million, as compared to HK\$128.2 million in the previous year. The increase was mainly attributed to the expanded activities in securities trading during the year ended 31 March 2011. Following the recovery from the financial tsunami which struck the global economies since 2008, there was some improvement in the general investment climate but uncertainties and mixed expectations on the future development in the world economies remained. The Cosmopolitan Group continued to adopt a pragmatic and cautious approach in pursuing investment proposals. As at 31 March 2011, the cash and bank deposits and deposits placed with securities brokers within the Cosmopolitan Group were approximately HK\$108.7 million, which enabled the Cosmopolitan Group to take up good investment opportunities.

Chengdu Project

Superstructural works for the hotel development commenced. Site preparation and formation works for the three residential towers development had been completed and the basement works had commenced. Development works for the other stages were planned to be carried out progressively.

Xinjiang Project

Through subsequent acquisition of existing issued shares, the Cosmopolitan Group increased its shareholding investment in the Xinjiang Project to 99.72% during the year ended 31 March 2011. Under the government policy guidelines issued in April 2011 in relation to the re-forestation for swap of development land, the Cosmopolitan Group was negotiating the terms with the relevant government authority for the possible swap of development land against the re-forestation area completed by the Xinjiang subsidiary and, in the meantime, was keeping proper maintenance of the re-forestation landscape of the project.

Rainbow Lodge Properties

The Cosmopolitan Group was planning to re-modify certain units of the Rainbow Lodge Properties for enhancement of their value.

Securities Investments

The Cosmopolitan Group continued to maintain an active investment portfolio of listed securities. Apart from the net gain of approximately HK\$4.7 million attained on disposal of financial assets at fair value through profit or loss in the year ended 31 March 2011, there was also a net increase in the fair value of these financial assets of approximately HK\$22.7 million, marked to market closing prices as at 31 March 2011.

Liquidity and financial resources

Current assets and current liabilities of the Cosmopolitan Group as at 31 March 2011 were HK\$400.4 million and HK\$403.7 million respectively. Cash and bank deposits and deposits placed with securities brokers stood at HK\$108.7 million as at 31 March 2011 in comparison with HK\$175.3 million as at 31 March 2010. There was a substantial improvement in net assets attributable to the owners of Cosmopolitan to HK\$58.0 million due to the accounting treatment of the decrease of derivative financial liabilities included under current liabilities which had been reflected in the consolidated net profit of the Cosmopolitan Group as mentioned earlier in the section headed “Business and financial review” above. The Cosmopolitan Group’s gearing ratio as at 31 March 2011 based on the net borrowings (represented by convertible bond borrowings net of cash and bank deposits) as a percentage of the total assets was 40%.

Capital structure

In April 2010, an aggregate principal amount of HK\$2.05 million of the CB2010 was converted into 10,250,000 new ordinary shares of HK\$0.001 each at a conversion price of HK\$0.20 per ordinary share.

On 30 August 2010, the subdivision of the ordinary shares of Cosmopolitan became effective with each of the issued and unissued shares of HK\$0.001 each in the share capital divided into five ordinary shares of HK\$0.0002 each.

In February 2011, an aggregate principal amount of HK\$28 million of the convertible bonds due 2011 was converted into 466,666,666 new Cosmopolitan Shares at the conversion price of HK\$0.06 per ordinary share. The total number of outstanding issued and fully paid Cosmopolitan Shares as at 31 March 2011 was 11,785,130,951 shares.

Material investment, acquisition and disposal of subsidiaries and associates

On 10 November 2010, the Cosmopolitan Group further acquired 5.53% equity interest in a subsidiary, Advanced Industry Limited (“**AIL**”) at a cash consideration of HK\$620,000. After the acquisition, the Cosmopolitan Group held 99.72% equity interest in AIL. AIL was principally engaged in investment holding and held a wholly-owned subsidiary engaged in the Xinjiang Project.

Number and remuneration of employees

The Cosmopolitan Group had 27 full time employees (including executive Cosmopolitan Directors) working in Hong Kong and the PRC. Management considered the overall level of staffing employed and the remuneration cost incurred in connection with the Cosmopolitan Group’s operations to be compatible with market norm. Remuneration packages were generally structured by reference to market terms and individual merits. Salaries were normally reviewed annually based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Cosmopolitan Group included a mandatory provident fund scheme as well as medical insurance.

Pledge of assets

As at 31 March 2010, the Cosmopolitan Group pledged its bank deposits of approximately HK\$506,000 for its corporate card facility, which was cancelled before 31 March 2011.

Capital commitment

As at 31 March 2011, the Cosmopolitan Group had commitments contracted but not provided for in respect of the Cosmopolitan Group’s investment in Faith Crown and an investment in a property development project in Hong Kong of HK\$73.9 million.

Exposure to foreign exchange

The Cosmopolitan Group was exposed to foreign currency risk primarily through monetary assets that were denominated in a currency other than the functional currency of the Cosmopolitan Group to which they relate. The currency giving rise to this risk is United States Dollar (“**USD**”).

The Cosmopolitan Group did not hedge its foreign currency risks, as the rate of exchange between HK\$ and USD is controlled within a tight range. The management determined that there was insignificant effect to the results and equity of the Cosmopolitan Group. However, the management would monitor the foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

Financial instruments for hedging

During the year ended 31 March 2011, the Cosmopolitan Group did not use any financial instrument for hedging purpose.

Contingent liabilities

There was no contingent liability outstanding for the Cosmopolitan Group as at 31 March 2011.

For the year ended 31 March 2012***Business and financial review***

The Cosmopolitan Group recorded a consolidated profit of approximately HK\$525.3 million for the year ended 31 March 2012, as compared with a profit of HK\$215.1 million recorded in the previous year. The consolidated profit achieved for the year ended 31 March 2012 was attributed mainly to the share of profit recognized in Faith Crown of HK\$527.7 million, and the decrease in the derivative financial liabilities of approximately HK\$152.6 million due to the change in fair value, as valued by an independent professional valuer, of the Options granted by the Cosmopolitan Group in 2008 to the Regal Group and the Paliburg Group. Such decrease in the fair value of the derivative financial liabilities was mainly due to the fact that the closing market price of the Cosmopolitan Shares as at 31 March 2012 was below that prevailing at 31 March 2011. The net loss in the financial assets at fair value through profit and loss amounted to approximately HK\$121.8 million, which were marked to market closing prices as at 31 March 2012.

The principal activities of the Cosmopolitan Group during the year ended 31 March 2012 continued to be property development and investment, securities investments, and other investments. The turnover of the Cosmopolitan Group for the year ended 31 March 2012 was HK\$78.4 million as compared to HK\$160.2 million in the previous year. The decrease in turnover was mainly attributed to the reduced activities in securities trading during the year ended 31 March 2012. During the year, the European debt crisis had worsened and led to the downgrading of the credit ratings of several European countries and certain related European financial institutions. In the U.S., only weak signs of recovery had been observed. During the year, the stock markets in Hong Kong and the PRC had experienced substantial downward adjustments, due to the risk aversion environment which has dampened investment sentiment, and in particular concerns over the weakening economic activities worldwide, especially on the possible credit and investment risk associated with the European debt crisis. Faced with uncertainties in the markets, the Cosmopolitan Group had adopted a pragmatic and cautious approach in pursuing investment proposals. As at 31 March 2012, the cash and bank deposits (excluding pledged bank deposits) and deposits placed with securities brokers within the Cosmopolitan Group were approximately HK\$86.8 million. Since 31 March 2012, the Cosmopolitan Group had continued to build up more cash liquidity to enable the Cosmopolitan Group to take up good investment opportunities when they become available. The Cosmopolitan Group recorded net current liabilities of HK\$136.2 million as at 31 March 2012. The Cosmopolitan Group was expecting

to receive HK\$100 million in July 2012 from the jointly controlled entities for partial repayment of shareholders' loan previously granted by the Cosmopolitan Group and, if required, could consider converting certain non-current assets into cash to further strengthen the Cosmopolitan Group's liquidity position.

Chengdu Project

In June 2011, Faith Crown disposed of 70% of its interest in the Chengdu property project to P&R Holdings. The consideration payable by P&R Holdings for the 2011 CD Transaction was based on an agreed value of HK\$1,000 million, which represented a discount of 12% to the appraised value as at 29 June 2011 of RMB1,350 million for the whole property project by an independent professional valuer jointly engaged by the jointly controlled entity and P&R Holdings. Details of this transaction were contained in the announcement of Cosmopolitan dated 30 June 2011.

Superstructural works for the hotel development and the three residential towers included in the first stage of the development were progressing. Development works for the other stages were planned to be carried out progressively.

Xinjiang Project

The Cosmopolitan Group was negotiating the terms with the relevant government authority for the possible swap of development land against the re-forestation area completed by the Xinjiang subsidiary and, in the meantime, was keeping proper maintenance of the re-forestation landscape of the project. In addition, the Cosmopolitan Group was also considering and assessing the feasibility to develop the remaining agricultural land other than those re-forestation areas that have been completed by the Cosmopolitan Group.

Rainbow Lodge Properties

The Cosmopolitan Group was undergoing renovations of certain units for enhancement of their value and their income generating potentials. Several units had been leased out after the year ended 31 March 2012 at market rental rates.

Securities Investments

The Cosmopolitan Group continued to maintain an active investment portfolio of listed securities. Apart from a net loss of approximately HK\$646,000 recorded on disposal of financial assets at fair value through profit or loss in the year ended 31 March 2012, there was also a net decrease in the fair value of these financial assets of approximately HK\$121.8 million, marked to market closing prices as at 31 March 2012.

Liquidity and financial resources

Current assets and current liabilities of the Cosmopolitan Group as at 31 March 2012 were HK\$368.0 million and HK\$504.2 million respectively. Cash and bank deposit (excluding pledged bank

deposits) and deposits placed with securities brokers stood at HK\$86.8 million as at 31 March 2012. There was a marked improvement in net assets attributable to the owners of Cosmopolitan to HK\$573.1 million due to the share of the profit recognized in Faith Crown and the decrease of derivative financial liabilities included under current liabilities which had been reflected in the consolidated net profit of the Cosmopolitan Group as stated in the paragraph headed “Business and financial review” above. The Cosmopolitan Group’s gearing ratio as at 31 March 2012 based on the net borrowings (represented by bank borrowings and convertible bond borrowings net of cash and bank deposits (excluding pledged bank deposits)) as a percentage of the total assets was 34%.

Capital structure

There was no change in the share capital of Cosmopolitan during the year ended 31 March 2012. The total number of outstanding issued and fully paid Cosmopolitan Shares as at 31 March 2012 was 11,785,130,951 shares.

Material investment, acquisition and disposal of subsidiaries and associates

During the year ended 31 March 2012, save for the 2011 CD Transaction, no material investment, acquisition or disposal of subsidiaries and associates was made by the Cosmopolitan Group.

Number and remuneration of employees

The Cosmopolitan Group had 31 full time employees (including executive Cosmopolitan Directors) working in Hong Kong and the PRC. Management considered the overall level of staffing employed and the remuneration cost incurred in connection with the Cosmopolitan Group’s operations to be compatible with market norm. Remuneration packages were generally structured by reference to market terms and individual merits. Salaries were normally reviewed annually based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Cosmopolitan Group included a mandatory provident fund scheme as well as medical insurance.

Pledge of assets

As at 31 March 2012, the Cosmopolitan Group pledged its bank deposits of approximately HK\$43.2 million for bank borrowings of approximately HK\$37.0 million.

Capital commitment

As at 31 March 2012, the Cosmopolitan Group had commitments contracted but not provided for in respect of the Cosmopolitan Group’s investment in Faith Crown of HK\$143.5 million.

Exposure to foreign exchange

Other than the subsidiaries established in the PRC whose functional currency is RMB, Cosmopolitan and its other subsidiaries’ functional currency is HK\$. However, certain bank balances and deposits placed with securities brokers were denominated in currencies other than HK\$. The

Cosmopolitan Group did not have a foreign currency hedging policy but the management monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. The Cosmopolitan Group was mainly exposed to USD and RMB. The Cosmopolitan Group prepared a sensitivity analysis of its outstanding RMB denominated monetary items to a possible change of 5% in exchange rate of HK\$ against RMB (while all other variables are held constant) and determined that a change of 5% in exchange rate of HK\$ against RMB did not affect other components of equity. No sensitivity analysis was prepared for USD because HK\$ was pegged to USD. The fluctuation and impact was considered immaterial.

Financial instruments for hedging

During the year ended 31 March 2012, the Cosmopolitan Group did not use any financial instrument for hedging purpose.

Contingent liabilities

There was no contingent liability outstanding for the Cosmopolitan Group as at 31 March 2012.

For the year ended 31 March 2013***Business and financial review***

The Cosmopolitan Group recorded a consolidated profit of approximately HK\$29.1 million for the year ended 31 March 2013, as compared with a consolidated profit of HK\$525.3 million recorded last year. The consolidated profit recorded for the year ended 31 March 2013 included a gain of HK\$42.0 million arising from the change in fair value, as valued by an independent professional valuer, of the Options granted by the Cosmopolitan Group in 2008 to the Regal Group and the Paliburg Group. Moreover, in the comparative financial year in 2012, the profit included the Cosmopolitan Group's attributable share of a profit of HK\$527.7 million recognised by Faith Crown from the 2011 CD Transaction.

The turnover of the Cosmopolitan Group for the year ended 31 March 2013 was HK\$179.4 million as compared to HK\$78.4 million in the previous year. The increase in turnover was mainly attributed to the expanded activities in securities trading during the year. In the PRC, the monetary authority has been keeping a steady money supply. Tight liquidity has recently been observed in the inter-bank market in the PRC. In Hong Kong, the property sector has been hit by the heavy stamp duties imposed on vendors and purchasers. In Europe, the uncertain sentiment in the European debt crisis has continued to affect the markets. In the United States of America, signs of a recovery have been noted and the Federal Reserve has recently indicated they may gradually moderate the quantitative easing policy.

As at 31 March 2013, the unrestricted cash and bank deposits and net deposits placed with securities brokers (after setting off amounts due to securities brokers) within the Cosmopolitan Group were approximately HK\$246.4 million.

The Cosmopolitan Group recorded net current liabilities of HK\$45.8 million as at 31 March 2013. The Cosmopolitan Group has recently secured from the Paliburg Group a 2-year term standby revolving credit facility to meet the Cosmopolitan Group's future working capital needs, details of which were set out in Cosmopolitan's announcement dated 27 June 2013.

Chengdu Project

The structural frame for the hotel development has been completed and external façade works are in progress. The first phase of the hotel is presently scheduled to be soft opened in mid-2014. The structural frames for the residential towers have also been completed and the overall construction works are scheduled to be completed by early 2014. Presale of the residential units is anticipated to be launched in the fourth quarter of 2013. Development works for the other stages of the project are planned to be carried out progressively. On 27 June 2013, the Cosmopolitan Group entered into sale and purchase agreements to consolidate its interests in Chengdu Group.

Xinjiang Project

The Xinjiang Project is a re-forestation and land exchange project for a land parcel of about 8,000 mu in accordance with the relevant laws and policies in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC. About 4,400 mu of land has been re-forested and is pending for an exchange of about 1,880 mu development land within the 8,000 mu land parcel subject to the verification procedures of the local government authorities and land grant process. The development land is preliminarily planned for a large scale mixed-use development project comprising residential, hotel, recreational and commercial components. The Cosmopolitan Group has further invested an aggregate amount of approximately HK\$42.8 million in this project during the year ended 31 March 2013. The Cosmopolitan Group has recently received preliminary confirmation from a relevant local government authority on the Cosmopolitan Group's entitlements under the re-forestation project to acquire the development land in accordance with the relevant laws and policies. Accordingly, the amounts invested in this project during the year ended 31 March 2013 was classified as prepaid re-forestation cost.

Rainbow Lodge Properties

Certain units are undergoing renovation for enhancement of their value and their income generating potential. Several units have been leased out at market rental rates. Cosmopolitan on 27 June 2013 entered into a sale and purchase agreement with P&R Holdings to dispose of Kola Glory Limited and Lead Fortune Development Limited at the prevailing market price.

Securities Investments

The Cosmopolitan Group continued to maintain an active investment portfolio of listed securities and bonds. There was a net profit of approximately HK\$17.0 million recorded on disposal of financial assets at fair value through profit or loss in the year ended 31 March 2013. However, there was a net decrease in the fair value of these financial assets of approximately HK\$19.0 million, based on their market closing prices as at 31 March 2013.

Liquidity and financial resources

Current assets and current liabilities of the Cosmopolitan Group as at 31 March 2013 were HK\$428.8 million and HK\$474.6 million respectively. Cash and bank deposit (excluding pledged bank deposits) stood at HK\$249.4 million as at 31 March 2013. There was an improvement in net assets attributable to the owners of Cosmopolitan to HK\$602.7 million due to share of the profit recognized in a jointly controlled entity and the decrease of derivative financial liabilities included under current liabilities which had been reflected in the consolidated net profit of the Cosmopolitan Group as mentioned earlier under the section of “Business and financial review”. The Cosmopolitan Group’s gearing ratio as at 31 March 2013 based on the net borrowings (represented by bank borrowings and convertible bond borrowings net of cash and bank deposits (excluding pledged bank deposits)) as a percentage of the total assets was 19%.

Capital structure

There was no change in the share capital of Cosmopolitan during the year ended 31 March 2013. The total number of outstanding issued and fully paid Cosmopolitan Shares as at 31 March 2013 was 11,785,130,951 shares.

Material investment, acquisition and disposal of subsidiaries and associates

During the year ended 31 March 2013, the Cosmopolitan Group has further invested an aggregate amount at approximately HK\$42.8 million in the Xinjiang Project.

Number and remuneration of employees

The Cosmopolitan Group had 31 full time employees (including executive Cosmopolitan Directors) working in Hong Kong and the PRC. Management considered the overall level of staffing employed and the remuneration cost incurred in connection with the Cosmopolitan Group’s operations to be compatible with market norm. Remuneration packages were generally structured by reference to market terms and individual merits. Salaries were normally reviewed annually based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Cosmopolitan Group included a mandatory provident fund scheme as well as medical insurance.

Pledge of assets

As at 31 March 2013, the Cosmopolitan Group pledged its bank deposits of approximately HK\$24.6 million for bank borrowings of approximately HK\$12.2 million and banking facilities of HK\$50.0 million granted to the Cosmopolitan Group.

Capital commitment

As at 31 March 2013, the Cosmopolitan Group had commitments contracted but not provided for in respect of the Cosmopolitan Group’s investment in Faith Crown of HK\$237.3 million.

Exposure to foreign exchange

Other than the subsidiaries established in the PRC whose functional currency is RMB, Cosmopolitan and its other subsidiaries' functional currency is HK\$. However, certain bank balances and deposits placed with securities brokers were denominated in currencies other than HK\$. The Cosmopolitan Group did not have a foreign currency hedging policy but the management monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. The Cosmopolitan Group was mainly exposed to USD and RMB. The Cosmopolitan Group prepared a sensitivity analysis of its outstanding RMB denominated monetary items to a possible change of 5% in exchange rate of HK\$ against RMB (while all other variables are held constant) and determined that a change of 5% in exchange rate of HK\$ against RMB did not affect other components of equity. No sensitivity analysis was prepared for USD because HK\$ was pegged to USD. The fluctuation and impact was considered immaterial.

Financial instruments for hedging

During the year ended 31 March 2013, the Cosmopolitan Group did not use any financial instrument for hedging purpose.

Contingent liabilities

There was no contingent liability outstanding for the Cosmopolitan Group as at 31 March 2013.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE
ENLARGED GROUP**

Introduction

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (“**Unaudited Pro Forma Financial Information**”) has been prepared on the basis of the notes set out below for the purposes of illustrating the effects on the assets and liabilities of the Enlarged Group as if the Acquisition, the Conversion and the Offer had been completed on 30 June 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group as at 30 June 2013 has been prepared based on (i) the unaudited condensed consolidated statement of financial position of the Company as at 30 June 2013 as set out in its published interim report for the six months ended 30 June 2013; (ii) the unaudited pro forma financial information of Cosmopolitan after the Chengdu Transactions and the Tianjin Transaction as set out in Appendix IV to Cosmopolitan’s circular dated 28 August 2013, on which a report on the compilation of pro forma financial information has been issued by Shinewing (HK) CPA Limited, the independent auditors of Cosmopolitan; and (iii) the pro forma adjustments prepared to reflect the effects of the Acquisition, the Conversion and the Offer as explained in the notes set out below that are directly attributable to the Acquisition, the Conversion and the Offer and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Company as set out in the published interim report for the six months ended 30 June 2013, the unaudited pro forma financial information of Cosmopolitan after the Chengdu Transactions and the Tianjin Transaction as set out in Appendix IV to Cosmopolitan’s circular dated 28 August 2013 and other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisition, the Conversion and the Offer been completed as at 30 June 2013 or any future date.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE
ENLARGED GROUP**

	The Group as at 30 June 2013						Pro forma Cosmopolitan Group				Pro forma Enlarged Group
	Pro forma adjustments						Pro forma adjustments				
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)	(Note 10)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
NON-CURRENT ASSETS											
Property, plant and equipment	19,194.6	—	—	—	—	—	1,073.2	—	—	—	20,267.8
Investment properties	956.3	—	—	—	—	—	88.0	—	—	—	1,044.3
Properties under development	—	—	—	—	—	—	395.2	—	—	—	395.2
Investment in a joint venture	397.0	—	—	198.5(d)	—	—	588.9	—	(1,184.4)(c)	—	—
Investments in associates	18.9	—	—	—	—	—	—	—	—	—	18.9
Available-for-sale investments	10.7	—	—	—	—	—	—	—	—	—	10.7
Financial assets at fair value through profit or loss	166.9	—	162.7	—	—	724.4	—	—	(1,054.0)(b)	—	—
Derivative financial instruments	5.0	—	—	—	—	—	—	—	—	—	5.0
Loans receivable	22.3	—	—	—	—	—	—	—	—	—	22.3
Amount due from Cosmopolitan Group	—	—	—	618.8(a)	1,452.1	—	—	—	(2,070.9)(d)	—	—
Deposits	43.0	—	—	—	—	—	—	—	—	—	43.0
Trademark	610.2	—	—	—	—	—	—	—	—	—	610.2
Goodwill	—	—	—	—	—	—	258.3	—	(258.3)(a)	—	361.2
									361.2(b)		
Total non-current assets	21,424.9	—	162.7	817.3	1,452.1	724.4	2,403.6	—	(4,206.4)	—	22,778.6
CURRENT ASSETS											
Properties under development	922.9	—	—	—	—	—	1,891.8	—	—	—	2,814.7
Properties held for sale	1,511.8	—	—	—	—	—	—	—	—	—	1,511.8
Inventories	47.9	—	—	—	—	—	—	—	—	—	47.9
Debtors, deposits and prepayments	629.0	—	—	—	—	—	85.4	—	—	—	714.4
Amount due from the Chengdu Group	—	—	—	28.5(c)	—	—	—	—	(28.5)(d)	—	—
Loans receivable	0.3	—	—	—	—	—	—	—	—	—	0.3
Held-to-maturity investments	159.7	—	—	—	—	—	—	—	—	—	159.7
Financial assets at fair value through profit or loss	1,342.4	200.0	—	—	—	(770.9)	107.9	—	—	—	879.4
Derivative financial instruments	11.1	—	—	—	—	—	—	—	—	—	11.1
Tax recoverable	—	—	—	—	—	—	2.2	—	—	—	2.2
Restricted cash	53.4	—	—	—	—	—	—	—	—	—	53.4
Pledged time deposits and bank balances	235.0	—	—	—	—	—	24.6	—	—	—	259.6
Time deposits	1,552.4	—	—	—	—	—	—	—	—	—	1,552.4
Cash and bank balances	2,979.5	(200.0)	(160.5)	—	—	—	311.1	200.0(a)	—	(351.3)	2,778.8
Assets of disposal groups classified as held for sale	9,445.4	—	(160.5)	28.5	—	(770.9)	2,423.0	200.0	(28.5)	(351.3)	10,785.7
	3,205.5	—	—	(1,884.4)(b)	(1,321.1)	—	—	—	—	—	—
Total current assets	12,650.9	—	(160.5)	(1,855.9)	(1,321.1)	(770.9)	2,423.0	200.0	(28.5)	(351.3)	10,785.7

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group as at 30 June 2013						Pro forma Cosmopolitan Group				Pro forma Enlarged Group
	(Note 1)	(Note 2)	Pro forma adjustments		(Note 5)	(Note 6)	(Note 7)	Pro forma adjustments		(Note 10)	HK\$'million
			(Note 3)	(Note 4)				(Note 8)	(Note 9)		
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
CURRENT LIABILITIES											
Creditors and accruals	(558.3)	—	—	200.0(a)	—	—	(106.7)	—	28.5(d)	—	(436.5)
Deposits received	(15.6)	—	—	—	—	—	—	—	—	—	(15.6)
Interest bearing bank borrowings	(664.9)	—	—	—	—	—	(12.2)	—	—	—	(677.1)
Derivative financial instruments	(1.3)	—	—	—	—	—	(7.9)	7.9(b)	—	—	(1.3)
Convertible bonds	—	—	—	—	—	—	(444.2)	(200.0)(a)	—	—	—
								644.2(b)			
Tax payable	(87.5)	—	—	—	—	—	(1.3)	—	—	—	(88.8)
	(1,327.6)	—	—	200.0	—	—	(572.3)	452.1	28.5	—	(1,219.3)
Liabilities directly associated with the assets of disposal groups classified as held for sale	(517.3)	—	—	510.6(b)	6.7	—	—	—	—	—	—
Total current liabilities	(1,844.9)	—	—	710.6	6.7	—	(572.3)	452.1	28.5	—	(1,219.3)
NET CURRENT ASSETS	10,806.0	—	(160.5)	(1,145.3)	(1,314.4)	(770.9)	1,850.7	652.1	—	(351.3)	9,566.4
TOTAL ASSETS LESS CURRENT LIABILITIES	32,230.9	—	2.2	(328.0)	137.7	(46.5)	4,254.3	652.1	(4,206.4)	(351.3)	32,345.0
NON-CURRENT LIABILITIES											
Creditors	(448.1)	—	—	448.1(a)	—	—	(3,266.7)	—	3,266.7(d)	—	—
Deposits received	(2.5)	—	—	—	—	—	—	—	—	—	(2.5)
Interest bearing bank borrowings	(5,208.4)	—	—	—	—	—	—	—	—	—	(5,208.4)
Other borrowings	(4,219.0)	—	—	—	—	—	—	—	—	—	(4,219.0)
Deferred tax liabilities	(1,930.4)	—	—	—	—	—	(355.3)	—	—	—	(2,285.7)
Total non-current liabilities	(11,808.4)	—	—	448.1	—	—	(3,622.0)	—	3,266.7	—	(11,715.6)
Net assets	20,422.5	—	2.2	120.1	137.7	(46.5)	632.3	652.1	(939.7)	(351.3)	20,629.4

Notes:

- (1) The balances have been extracted from the unaudited condensed consolidated statement of financial position of the Company as at 30 June 2013 as set out in its published interim report for the six months ended 30 June 2013.
- (2) The adjustments represent the cash consideration of HK\$200.0 million paid by the Group to the Cosmopolitan Group upon the exercise of the Options to subscribe for the CB2013(C) and CB2013(D). Such cash consideration is also assumed to represent the fair values of the CB2013(C) and CB2013(D) at initial recognition and at 30 June 2013.
- (3) The adjustments represent the cash consideration of HK\$160.5 million (including expenses of HK\$0.1 million) paid by the Group to Giant Sino for the acquisition of the Sale Shares and the recognition of the Sale Shares of HK\$162.7 million based on the fair value of the Cosmopolitan Shares as at 30 June 2013 upon the completion of the Acquisition.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

- (4) As stated in note 7, the Cosmopolitan Pro Forma Financial Information has already taken into account the completion of the Chengdu Transactions. The following represents the adjustments to the Group's assets and liabilities assuming the Chengdu Transactions were completed on 30 June 2013:
- a. the recognition of the consideration receivable from the Cosmopolitan Group of HK\$618.8 million after adjusting for 70% of the deficit of the other net tangible assets (excluding shareholder loans and the properties) of the companies previously holding the Chengdu Project (the "Chengdu Group") of HK\$23.5 million as at 30 June 2013 and offsetting the outstanding consideration of HK\$648.1 million, comprising a current portion and a non-current portion of HK\$200.0 million and HK\$448.1 million respectively, payable by the Group to Faith Crown for the acquisition of a 70% equity interest in the Chengdu Group in 2011;
 - b. the derecognition of the Group's assets and liabilities in relation to the Chengdu Transactions that were classified under disposal groups held for sale as at 30 June 2013 as set out in the Company's published interim report for the six months ended 30 June 2013 in the amounts of HK\$1,884.4 million and HK\$510.6 million, respectively;
 - c. the recognition of amount due from the Chengdu Group of HK\$28.5 million that was previously eliminated by the Group as at 30 June 2013; and
 - d. the increase in the Group's investment in Faith Crown classified as a joint venture of HK\$198.5 million resulting from the increase in the net assets of Faith Crown upon the completion of the Chengdu Transactions on 30 June 2013.

It is assumed that no additional recognition of liabilities is required to the unaudited pro forma statement of assets and liabilities of the Enlarged Group.

- (5) As stated in note 7, the Cosmopolitan Pro Forma Financial Information has already taken into account the completion of the Tianjin Transaction. The adjustments to the Group's assets and liabilities represent the recognition of the consideration receivable from the Cosmopolitan Group of HK\$1,452.1 million (after adjusting for the other net tangible assets excluding the shareholder loan and the properties of the companies previously holding the Tianjin Project of HK\$34.6 million as at 30 June 2013) and the derecognition of the Group's assets and liabilities in relation to the Tianjin Transaction that were classified under disposal group held for sale as at 30 June 2013 as set out in the Company's published interim report for the six months ended 30 June 2013 in the amounts of HK\$1,321.1 million and HK\$6.7 million, respectively, assuming the Tianjin Transaction was completed on 30 June 2013. It is assumed that no additional recognition of liabilities is required to the unaudited pro forma statement of assets and liabilities of the Enlarged Group.
- (6) The adjustments represent the derecognition of the carrying amounts of the Cosmopolitan CBs of HK\$770.9 million and the recognition of the Conversion Shares of HK\$724.4 million based on the fair value of the Cosmopolitan Shares as at 30 June 2013 upon the completion of the Conversion on 30 June 2013.
- (7) The balances have been extracted from the unaudited pro forma financial information of Cosmopolitan after the Chengdu Transactions and the Tianjin Transaction as set out in Appendix IV to Cosmopolitan's circular dated 28 August 2013 and rounded to the nearest million (the "Cosmopolitan Pro Forma Financial Information"). A report on the compilation of the Cosmopolitan Pro Forma Financial Information has been issued by Shinewing (HK) CPA Limited, the independent auditors of Cosmopolitan.
- (8) The following represents adjustments to the Cosmopolitan Pro Forma Financial Information:
- a. the cash consideration of HK\$200.0 million received by the Cosmopolitan Group upon the issuance of CB2013(C) and CB2013(D) to the Group and the recognition of convertible bonds by the Cosmopolitan Group in the same amount assuming such cash consideration represent the fair values of the CB2013(C) and CB2013(D) at initial recognition and at 30 June 2013 and the entire CB2013(C) and CB2013(D) are classified as liabilities; and

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

- b. the derecognition of the Cosmopolitan Group’s derivative financial instruments and the convertible bonds including the CB2013(C) and CB2013(D) upon the completion of the Conversion on 30 June 2013.
- (9) Upon the completion of the Conversion, Cosmopolitan has become a subsidiary of the Company and is accounted for by applying the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* (“HKFRS 3”). For the purpose of this unaudited pro forma financial information, it is assumed that the carrying amounts of the identifiable assets and liabilities of the Cosmopolitan Group as extracted from the Cosmopolitan Pro Forma Financial Information and after the pro forma adjustments detailed in note 8 approximated the fair values of the Cosmopolitan Group. It is also assumed that no fair value adjustments and additional recognition of assets and liabilities are required to the unaudited pro forma statement of assets and liabilities of the Enlarged Group. In addition, the Group has elected to measure the non-controlling interests in the Cosmopolitan Group at the non-controlling interests’ proportionate share of the Cosmopolitan Group’s identifiable net assets. The adjustments reflect the following:
- a. the goodwill of HK\$258.3 million previously recorded by the Cosmopolitan Group does not constitute a part of the Cosmopolitan Group’s identifiable net assets to be recognised and is therefore not included in the unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 June 2013.
- b. the derecognition of the Group’s investments in the Cosmopolitan Group of HK\$1,054.0 million and the recognition of goodwill arising from the consolidation of Cosmopolitan as a subsidiary of the Company calculated as follows:

	<i>HK\$’ million</i>
Fair value of previously held interest in Cosmopolitan	1,054.0
Non-controlling interests of 32.488% in the identifiable net assets of the Cosmopolitan Group	333.3
Less: Fair value of the identifiable net assets of the Cosmopolitan Group	<u>(1,026.1)</u>
 Goodwill	 <u>361.2</u>

HKAS 38 *Intangible Assets* requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Any intangible item acquired in a business combination was recognised as an asset separately from goodwill when it was identifiable and could be measured reliably. If the amount cannot be recognised as an intangible asset, it forms part of the amount recognised as goodwill at the acquisition date. Based on the currently available information, the Directors have not identified any intangible assets to be separated from goodwill.

The goodwill of HK\$361.2 million is recognised at cost at initial recognition and would be subsequently tested for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. For the purpose of this unaudited pro forma financial information, the Company has assessed if there is any impairment loss on the goodwill arising from the consolidation of Cosmopolitan as a subsidiary of the Company in accordance with Hong Kong Accounting Standard 36 *Impairment of Assets* (“HKAS 36”) which is consistent with the accounting policies of the Group. In accordance with HKAS 36, management has assessed the impairment of goodwill by considering whether the carrying amount of goodwill plus the net identifiable assets of the Cosmopolitan Group exceed the recoverable amount (i.e. value in use) of such underlying business as at 30 June 2013. Should the recoverable amount is below the carrying amount of goodwill plus the net identifiable assets of the Cosmopolitan Group, the goodwill will be impaired. The Directors are of the view that there is no impairment indication of the goodwill arising from the consolidation of Cosmopolitan as a subsidiary of the Company as set out in the unaudited pro forma financial information.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Directors confirm that the basis used in the preparation of the unaudited pro forma financial information is consistent with the accounting policies of the Group and the Group will adopt consistent accounting policies and principal assumptions for impairment test of goodwill in the future.

Even though the impairment assessment will be carried out in the accounting periods in the future, in view of the date of this circular, any significant change in the assessment of goodwill impairment is not expected and no impairment on the goodwill is considered as necessary under HKAS 36.

Since the fair value of previously held interest in Cosmopolitan and the fair value of the identifiable net assets of the Cosmopolitan Group at the actual date of completion of the Conversion may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the goodwill recognised at the actual date of completion of the Conversion may be different from the amount presented above.

- c. the derecognition of the Group's investment in Faith Crown classified as a joint venture of HK\$1,184.4 million which has become a subsidiary of the Company upon the consolidation of Cosmopolitan as a subsidiary of the Company and is accounted for by applying the acquisition method in accordance with HKFRS 3. It is assumed that no fair value adjustments and additional recognition of assets and liabilities are required to the unaudited pro forma statement of assets and liabilities of the Enlarged Group.
 - d. the elimination of the consideration receivable from the Cosmopolitan Group of HK\$2,070.9 million in respect of the Chengdu Transactions and the Tianjin Transaction, the amount due from the Chengdu Group of HK\$28.5 million and the balances between Faith Crown and the Cosmopolitan Group upon consolidation of Cosmopolitan and Faith Crown as subsidiaries of the Company.
- (10) The adjustments represent the cash consideration payable by the Group assuming the Offer (other than those held by Giant Sino) is fully taken up based on the Offer Price of HK\$0.07 per Offer Share.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

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



22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

27 November 2013

The Directors
Paliburg Holdings Limited
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

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

Dear Sirs

We have completed our assurance engagement to report on the compilation of pro forma financial information of Paliburg Holdings Limited (the “Company”) and its subsidiaries (the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Group, and Cosmopolitan International Holdings Limited (“CIHL”) and its subsidiaries (the “CIHL Group”) as at 30 June 2013, and related notes as set out on pages III-1 to III-6 of the circular dated 27 November 2013 (the “Circular”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page III-1 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of (i) the acquisition of 2,291,076,090 ordinary shares of CIHL (“CIHL Shares”) by Lendas Investments Limited from Giant Sino Group Limited (the “Acquisition”); (ii) the conversion of the zero coupon guaranteed convertible bonds issued by Fancy Gold Limited in the principal amount of HK\$141.45 million and the zero coupon guaranteed convertible bonds issued by Apex Team Limited in the aggregate principal amount of HK\$400 million pursuant to the exercise of the conversion rights attached thereto (the “Conversion”); and (iii) the unconditional mandatory general cash offer to be made by UBS AG, acting through its Hong Kong branch, on behalf of P&R Strategic Limited to

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

acquire all of the CIHL Shares other than those already owned or agreed to be acquired by the P&R Holdings Limited and parties acting in concert with it in accordance with the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong and the terms set out in the Circular (the “Offer”) on the Group’s financial position as at 30 June 2013 as if the Acquisition, the Conversion and the Offer (collectively the “Transactions”) had taken place at 30 June 2013. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the six months period ended 30 June 2013, on which a review report has been issued, and the information about the CIHL Group’s financial position has been extracted by the Directors from the CIHL Group’s published pro forma financial information as at 31 March 2013, on which a report on the compilation of pro forma financial information has been issued by Shinewing (HK) CPA Limited, the independent auditors of CIHL.

Directors’ responsibility for the Pro Forma Financial Information

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

Reporting Accountants’ responsibilities

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

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

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

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

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors, chief executive and senior management

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (“**Model Code**”) were as follows:

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

The Company/ Name of its associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/ Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,354,803 <i>(Note b)</i>	15,000	830,447,817 (74.48%)
	Mr. Donald Fan Tung	Ordinary (issued)	556	—	—	556 (0.000%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
	Miss Lo Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)
	Mr. Ng Siu Chan	Ordinary (issued)	—	—	80,474	80,474 (0.007%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	—	—	6,200 (0.001%)

APPENDIX IV
GENERAL INFORMATION

The Company/ Name of its associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Corporate interests	Family/ Other interests		
2. Century City	Mr. Lo Yuk Sui	Ordinary (issued)	100,587,396	1,769,164,691 <i>(Note a)</i>	380,683	1,870,132,770 (58.25%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)	
	Miss Lo Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.003%)	
	Mr. Ng Siu Chan	Ordinary (issued)	—	—	3,521,973	3,521,973 (0.11%)	
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)	
3. Regal	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	555,341,261 <i>(Note c)</i>	260,700	555,626,161 (57.63%)	
	Miss Lo Po Man	Ordinary (issued)	300,000	—	269,169 <i>(Note d)</i>	569,169 (0.06%)	
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)	
4. Cosmopolitan	Mr. Lo Yuk Sui	Ordinary (issued)	—	14,844,912,545 <i>(Note e)</i>	—	14,844,912,545 (67.51%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	—	7,500,000	—	7,500,000 (0.03%)	
	Miss Lo Po Man	Ordinary (issued)	—	4,600,000	—	4,600,000 (0.02%)	
5. Regal REIT	Mr. Lo Yuk Sui	Units (issued)	—	2,443,033,102 <i>(Note f)</i>	—	2,443,033,102 (75.00%)	
6. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1,000 <i>(Note g)</i>	—	1,000 (100%)	

Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of Century City were held through companies wholly-owned by Mr. Lo Yuk Sui and a company, namely Master City Limited, 99.9% owned by Mr. Lo Yuk Sui.
- (b) The interests in 693,618,547 issued Shares were held through companies wholly-owned by Century City, in which Mr. Lo Yuk Sui held approximately 58.24% shareholding interests as at the Latest Practicable Date.

The interests in 16,271,685 issued Shares were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

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

The interests in 30,464,571 issued Shares were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo Yuk Sui	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 Yuk Sui held approximately 58.24% shareholding interests as at the Latest Practicable Date, and the interests in the other 554,919,861 issued ordinary shares of Regal were held through companies wholly-owned by the Company, in which Century City held approximately 62.21% shareholding interests as at the Latest Practicable Date.
- (d) The interests in 269,169 issued ordinary shares of Regal were held by Miss Lo Po Man as the beneficiary of a trust.
- (e) The interests in 14,844,912,545 issued ordinary shares of Cosmopolitan were held through wholly-owned subsidiaries of P&R Holdings, which is owned as to 50% each by the Company and Regal. The Company, in which Century City held approximately 62.21% shareholding interests as at the Latest Practicable Date, held approximately 57.56% shareholding interests in Regal as at the Latest Practicable Date. Mr. Lo Yuk Sui held approximately 58.24% shareholding interests in Century City as at the Latest Practicable Date.
- (f) 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 the Company. The interests in 2,687,000 issued units of Regal REIT were held through wholly-owned subsidiaries of Century City. Cosmopolitan were held as to approximately 67.51% shareholding interests by P&R Holdings, which is owned as to 50% each by the Company and Regal, as at the Latest Practicable Date. The Company, in which Century City held approximately 62.21% shareholding interests as at the Latest Practicable Date, held approximately 57.56% shareholding interests in Regal as at the Latest Practicable Date. Mr. Lo Yuk Sui held approximately 58.24% shareholding interests in Century City as at the Latest Practicable Date.
- (g) 400 shares were held through companies controlled by Century City, in which Mr. Lo Yuk Sui held approximately 58.24% shareholding interests as at the Latest Practicable Date, and 600 shares were held through a company controlled by Mr. Lo Yuk Sui.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company held any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

Name of substantial shareholder	Number of issued Shares held	Number of underlying Shares held	Total number of Shares (issued and underlying) held	Approximate percentage of issued Shares as at the Latest Practicable Date
Century City (<i>Note i</i>)	693,618,547	—	693,618,547	62.21%
Century City BVI Holdings Limited (<i>Note ii</i>)	693,618,547	—	693,618,547	62.21%
Almighty International Limited (<i>Note ii</i>)	346,488,526	—	346,488,526	31.07%
Cleerview Investments Limited (<i>Note ii</i>)	180,811,470	—	180,811,470	16.22%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 58.24% shareholding interests in Century City as at the Latest Practicable Date, and the interests in these Shares held by Century City through its wholly-owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the Shares as disclosed above under this section headed “Disclosure of Interests”.
- (ii) These companies are wholly-owned subsidiaries of Century City and their interests in the Shares were included in the interests held by Century City.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

Details of directorships of the Directors in each of those companies which has an interest in the Shares and underlying Shares 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, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of Century City.
- (2) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of Century City BVI Holdings Limited, Almighty International Limited and Cleverview Investments Limited.

3. OTHER INTERESTS OF DIRECTORS

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

(a) **Interests in service contracts**

none of the Directors had entered, or is proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation). The aggregate of the remuneration payable to and benefits in kind receivable by the Directors would not be varied in consequence of the transactions contemplated under the Offer;

(b) **Interests in assets**

none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2012, being the date of the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group; and

(c) Interests in contracts or arrangements

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

4. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed above, none of the Directors or their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group other than those businesses to which the Directors and their associates were appointed to represent the interests of the Company and/or the Enlarged Group.

5. LITIGATION

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

6. EXPERT AND CONSENT

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

Name	Qualification
Ernst & Young	Certified Public Accountants

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

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

As at the Latest Practicable Date, Ernst & Young did not have, nor had had, any direct or indirect interest in any assets which have since 31 December 2012 (being the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

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

- (a) The instrument of transfer and bought and sold notes dated 14 September 2013 entered into between Lendas and Giant Sino in relation to the acquisition of 2,291,076,090 Cosmopolitan Shares for a consideration of HK\$160,375,326.30.
- (b) The entrusted loan agreement dated 11 October 2013 entered into between Shenzhen Leading Technology Co., Ltd. (深圳創先智能科技有限公司) (as the lender), Shenzhen Zhuyuan Enterprise Co., Ltd. (深圳竹園企業有限公司) (as the borrower) and Bank of China Limited, Shenzhen Sub-Branch (as the lending agent) in relation to the entrusted loan in the principal amount of up to RMB200 million.

8. MISCELLANEOUS

- (a) The registered office of the Company is at 26 Burnaby Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.
- (c) The secretary of the Company is Ms. Eliza Lam Sau Fun, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the above head office and principal place of business of the Company in Hong Kong for a period of 14 days from the date of this circular up to 11 December 2013 during normal business hours:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2012 and the interim report of the Company for the six months ended 30 June 2013;
- (c) the annual reports of Cosmopolitan for the two financial years ended 31 March 2013;
- (d) the letter from Ernst & Young on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (e) the written consent of Ernst & Young referred to in the paragraph headed “Expert and Consent” in this Appendix IV;
- (f) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix IV;
- (g) this circular; and
- (h) the circulars of the Company dated 29 June 2013 and 29 August 2013.