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MAJOR TRANSACTION

**EXTENSION OF TERMS OF CONVERTIBLE BONDS IN
COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED**

A letter from the board of directors of Paliburg Holdings Limited is set out on pages 7 to 18 of this circular.

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DEFINITIONS

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

“2011 CD Transaction”	the acquisition by P&R Holdings from Faith Crown 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 jointly announced by Century City, Paliburg and Regal on 30 June 2011 and announced by Cosmopolitan on 30 June 2011
“Ample State”	Ample State Investments Limited, a wholly-owned subsidiary of Cosmopolitan
“Apex Team”	Apex Team Limited, a wholly-owned subsidiary of Cosmopolitan
“Bizwise”	Bizwise Investments Limited, a wholly-owned subsidiary of Cosmopolitan
“CB”	the convertible bonds with a principal amount of HK\$500 million (originally maturing on 18 August 2017 and is proposed to be extended to 18 August 2021) issued by Apex Team on 18 August 2014 to Interzone
“CB Conversion Price”	the price at which each CB Conversion Share will be issued upon conversion of the CB
“CB Conversion Share(s)”	the new Cosmopolitan Share(s) to be issued upon exercise of the conversion rights attached to the CB
“CB Extension”	the proposed extension of the maturity date of the CB to 18 August 2021
“CB Extension Agreement”	the conditional deed of variation dated 4 August 2016 entered into between Cosmopolitan, Apex Team and Interzone in respect of the CB Extension
“CB Subscription Agreement”	the subscription agreement dated 30 April 2014 entered into between Cosmopolitan and P&R Holdings in relation to the subscription of the CB and granting of the Option
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 355)

DEFINITIONS

“Chengdu Group”	the Joyous Unity Group and the Excel Crown Group
“Chengdu Project”	the mixed-use development project comprised of the Chengdu Properties located in Xindu District, Chengdu City, Sichuan Province, the PRC consisting of hotel, commercial, office, serviced apartments and residential components
“Chengdu Properties”	collectively Chengdu Property 1 and Chengdu Property 2
“Chengdu Property 1”	the property comprising the residential part of the Chengdu Project
“Chengdu Property 2”	the property comprising the hotel, commercial, office and serviced apartments parts of the Chengdu Project
“Chengdu Transaction”	Chengdu Transaction A and Chengdu Transaction B
“Chengdu Transaction A”	the (a) disposal of a 70% equity interest in the Chengdu Group by P&R Holdings to Ample State; and (b) assignment of the shareholder loans due to P&R Holdings by the Chengdu Group to Ample State, pursuant to the sale and purchase agreement dated 27 June 2013 entered into between P&R Holdings and Ample State
“Chengdu Transaction B”	the (a) disposal of a 30% equity interest in the Chengdu Group by Faith Crown to Ample State; and (b) assignment of the shareholder loans due to Faith Crown by the Chengdu Group to Ample State, pursuant to the sale and purchase agreement dated 27 June 2013 entered into between Faith Crown and Ample State
“Conversion Prices”	the CB Conversion Price and the Optional CB Conversion Price
“Conversion Shares”	the CB Conversion Shares and the Optional CB Conversion Shares
“Convertible Bonds”	the CB and the Optional CB
“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 120)
“Cosmopolitan Board”	the board of directors of Cosmopolitan
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Cosmopolitan Share(s)”	ordinary share(s) of par value of HK\$0.002 each in the capital of Cosmopolitan

DEFINITIONS

“Excel Crown”	Excel Crown Investments Limited, a wholly-owned subsidiary of Ample State
“Excel Crown Group”	Excel Crown and its subsidiaries
“Extensions”	the CB Extension and the Optional CB Extension
“Facilities Agreement”	the conditional facilities agreement dated 4 August 2016 entered into between Long Profits, Cosmopolitan and Bizwise in relation to the provision of the Loan Facilities
“Faith Crown”	Faith Crown Holdings Limited, a joint venture owned by Regal BVI (a wholly-owned subsidiary of Regal) and Mass Surplus (a wholly-owned subsidiary of Cosmopolitan) as to 50% and 50% respectively
“Fortune City”	Fortune City International Investments Limited, a wholly-owned subsidiary of Cosmopolitan
“Grand Praise”	Grand Praise Investments Limited, a wholly-owned subsidiary of Fortune City
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Interzone”	Interzone Investments Limited, a wholly-owned subsidiary of P&R Holdings
“Joint Announcement”	the announcement dated 4 August 2016 jointly published by Century City, Paliburg, Regal and Cosmopolitan in relation to, among other things, the Extensions
“Joyous Unity”	Joyous Unity Investments Limited, a wholly-owned subsidiary of Ample State
“Joyous Unity Group”	Joyous Unity and its subsidiaries
“Latest Practicable Date”	3 October 2016, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facilities”	the term loan and revolving loan facilities of an aggregate amount of HK\$1,850 million proposed to be granted by Long Profits to Bizwise under the Facilities Agreement

DEFINITIONS

“Long Profits”	Long Profits Investments Limited, a wholly-owned subsidiary of Regal
“Mass Surplus”	Mass Surplus International Limited, a wholly-owned subsidiary of Cosmopolitan
“Novation”	novation of the outstanding consideration for the 2011 CD Transaction of approximately HK\$648.1 million payable by P&R Holdings to Faith Crown to and assumption by Ample State, pursuant to the novation and variation deed dated 27 June 2013 entered into between Faith Crown, P&R Holdings and Ample State
“Option”	the option granted by Cosmopolitan to the P&R Group to subscribe for the Optional CB with a principal amount of up to HK\$500 million on one or more occasions pursuant to the CB Subscription Agreement
“Optional CB”	the convertible bonds with a principal amount of up to HK\$500 million to be issued by Apex Team to the P&R Group upon exercise of the Option on one or more occasions
“Optional CB Conversion Price”	the price at which each Optional CB Conversion Share will be issued upon conversion of the Optional CB
“Optional CB Conversion Share(s)”	the new Cosmopolitan Share(s) to be issued upon exercise of the conversion rights attached to the Optional CB
“Optional CB Extension”	the proposed extension of the maturity date of the Optional CB to 18 August 2021
“Optional CB Extension Agreement”	the conditional deed of variation dated 4 August 2016 entered into between Cosmopolitan and P&R Holdings in respect of the Optional CB Extension
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“Paliburg Board”	the board of Paliburg Directors
“Paliburg Directors”	the directors of Paliburg
“Paliburg Group”	Paliburg and its subsidiaries
“Paliburg Shareholders”	holders of Paliburg Shares

DEFINITIONS

“Paliburg Shares”	ordinary shares of HK\$0.10 each in the share capital of Paliburg
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Profit Distribution”	the assignment by Faith Crown of the then total amount receivable from Ample State to Regal BVI and Mass Surplus in proportion to their respective 50-50 interests in Faith Crown by way of profit distribution
“P&R Group”	P&R Holdings and its subsidiaries
“P&R Holdings”	P&R Holdings Limited, a joint venture established and owned by Capital Merit Investments Limited (a wholly-owned subsidiary of Paliburg) and Regal Hotels Investments Limited (a wholly-owned subsidiary of Regal) as to 50% and 50% respectively
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal BVI”	Regal International (BVI) Holdings Limited, a wholly-owned subsidiary of Regal
“Regal Group”	Regal and its subsidiaries
“Regal REIT”	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the SFO, the issued units of which are listed on the Main Board of the Stock Exchange (Stock Code: 1881)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“Tianjin Group”	Grand Praise and its subsidiaries

DEFINITIONS

“Tianjin Project”	the mixed-use development project located in Hedong District in Tianjin, the PRC consisting of commercial, office and residential components
“Tianjin Transaction”	the (a) disposal of the entire equity interest in Grand Praise by Regal BVI to Fortune City; and (b) assignment of the shareholder loan owed to Regal BVI by the Tianjin Group to Fortune City, pursuant to the sale and purchase agreement dated 27 June 2013 entered into between Regal BVI and Fortune City

LETTER FROM THE PALIBURG BOARD



Executive Paliburg Directors:

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

Independent non-executive Paliburg Directors:

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

Registered office:

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69 Pitts Bay Road
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11th Floor
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Causeway Bay
Hong Kong

7 October 2016

To the Paliburg Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

EXTENSION OF TERMS OF CONVERTIBLE BONDS IN COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Reference is made to the Joint Announcement and the announcements dated 25 August 2016 and 14 September 2016 jointly published by Century City, Paliburg, Regal and Cosmopolitan. On 4 August 2016, among other things, the Cosmopolitan Group and the P&R Group entered into the CB Extension Agreement and the Optional CB Extension Agreement to extend the maturity dates of the CB and the Optional CB, subject to certain terms and conditions. On 25 August 2016, the parties agreed in writing to extend the long stop dates for satisfaction of the conditions precedent to the CB Extension Agreement and the Optional CB Extension Agreement from 13 September 2016 to 13 October 2016 (or such other date as may be agreed by the parties in writing).

The Extensions and the possible conversion of the Convertible Bonds constitute a major transaction for Paliburg subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The Extensions and the possible conversion of the Convertible Bonds have been approved by a closely allied group of Paliburg Shareholders by way of written approval. The purpose of this circular is to provide you with further information in relation to the Extensions.

LETTER FROM THE PALIBURG BOARD

COSMOPOLITAN CONVERTIBLE BONDS

Pursuant to the CB Subscription Agreement, the P&R Group subscribed for the CB and was granted the Option to subscribe for the Optional CB. The Option is exercisable at any time during the period from 25 August 2014 (being the date falling 7 days after the date of issue of the CB) until 20 May 2017 (being 90 days prior to the original maturity date of the CB) (both dates inclusive). The Option is exercisable in whole or in part, on one or more occasions, solely at the discretion of the P&R Group by giving a written notice to the issuer of the Optional CB. Details of the aforesaid transaction were set out in the announcement dated 30 April 2014 jointly published by Century City, Paliburg, Regal and Cosmopolitan and in the respective circulars of Century City, Paliburg and Regal dated 25 June 2014 and in Cosmopolitan's circular dated 20 June 2014.

The original principal terms of the Convertible Bonds (before the Extensions) are set out in Appendix I to this circular.

As at the Latest Practicable Date, the outstanding principal amount of the CB remained at HK\$500 million and none of the CB had been converted. The Option had not been exercised by the P&R Group as at the Latest Practicable Date and the exercise of the Option will be subject to the undertaking as further detailed under the paragraph headed "Exercise of the Option" below.

Assuming full conversion of the outstanding CB as at the Latest Practicable Date at the initial CB Conversion Price of HK\$0.35, the maximum number of approximately 1,428.6 million CB Conversion Shares would be issued, representing approximately 33.6% of the Cosmopolitan Shares in issue as at the Latest Practicable Date. Assuming exercise in full of the Option and full conversion of the Optional CB at the initial Optional CB Conversion Price of HK\$0.40, the maximum number of 1,250.0 million Optional CB Conversion Shares would be issued, representing approximately 29.4% of the Cosmopolitan Shares in issue as at the Latest Practicable Date. Further details on the number of Conversion Shares are set out in Appendix I to this circular.

Exercise of the Option

On 4 August 2016, P&R Holdings has irrevocably undertaken in favour of Cosmopolitan that subject to the satisfaction of all the conditions precedent to the Facilities Agreement (being an agreement entered into between the Regal Group and the Cosmopolitan Group on 4 August 2016 pursuant to which the Regal Group agreed to provide the Loan Facilities amounting up to HK\$1,850 million to the Cosmopolitan Group), P&R Holdings shall:

- (i) exercise the Option to subscribe for the Optional CB with a principal amount of not less than HK\$330 million on the date on which the first advance of the Loan Facilities is made; and
- (ii) exercise the Option to subscribe for the remaining Optional CB with a principal amount of up to HK\$170 million by the end of 2016.

LETTER FROM THE PALIBURG BOARD

The conditions precedent to the Facilities Agreement are: (i) Regal and Cosmopolitan having obtained the approvals of their respective independent shareholders; (ii) the Extensions becoming unconditional; and (iii) all security documents required under the Facilities Agreement having been executed. Further information regarding the Facilities Agreement is set out in the Joint Announcement.

The Extensions

On 4 August 2016:

- (i) Cosmopolitan, Apex Team and Interzone entered into the CB Extension Agreement to extend the maturity date of the CB to 18 August 2021; and
- (ii) Cosmopolitan and P&R Holdings entered into the Optional CB Extension Agreement to extend the maturity date of the Optional CB to 18 August 2021.

Pursuant to the Optional CB Extension Agreement, the exercise period of the Option shall remain unchanged (i.e. until 20 May 2017). Each of the CB Extension and the Optional CB Extension shall become unconditional upon fulfillment of the following conditions on or before 13 October 2016 (as extended by the parties) or such other date as they may further agree in writing:

- (i) Century City having obtained approval for the CB Extension Agreement and the Optional CB Extension Agreement (including conversion in full of the CB and the Optional CB by the P&R Group) by its shareholders;
- (ii) Paliburg having obtained approval for the CB Extension Agreement and the Optional CB Extension Agreement (including conversion in full of the CB and the Optional CB by the P&R Group) by its shareholders;
- (iii) Cosmopolitan having obtained approval for the CB Extension Agreement and the Optional CB Extension Agreement by its independent shareholders;
- (iv) if required, the Stock Exchange's consent in respect of the change of terms of the CB and the Optional CB pursuant to the CB Extension Agreement and the Optional CB Extension Agreement;
- (v) if required, the Stock Exchange granting the listing of and permission to deal in the CB Conversion Shares and the Optional CB Conversion Shares falling to be issued pursuant to the exercise of the conversion rights attached to the CB and the Optional CB (as varied by the CB Extension Agreement and the Optional CB Extension Agreement); and
- (vi) the Facilities Agreement becoming unconditional.

None of the above conditions precedent are waivable by either party. As at the Latest Practicable Date, conditions (i), (ii) and (iv) above had been fulfilled. Paliburg understands that the listing approval under condition (v) above is not required.

LETTER FROM THE PALIBURG BOARD

REASON FOR THE TRANSACTIONS

Paliburg is a listed subsidiary of Century City. Paliburg, through its subsidiaries, is principally engaged in property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing business and other investments including financial assets investments.

P&R Holdings is a 50-50 owned joint venture of Paliburg and Regal and a subsidiary of Century City and Paliburg. The P&R Group is principally engaged in the development of real estate projects for sale and/or leasing, the undertaking of related investment and financing activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets 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 financial activities where the underlying assets or security comprise real estate properties.

Cosmopolitan is a listed subsidiary of Century City, Paliburg and P&R Holdings. The Cosmopolitan Group is principally engaged in property development and investment, investment in financial assets, logistics operations and other investments and at present is principally undertaking the Chengdu Project and the Tianjin Project. In May 2016, the Cosmopolitan Group completed the acquisition of an effective 60% interest in a group of companies operating logistics and related businesses in the PRC. Cosmopolitan reported audited consolidated loss before tax and after tax of approximately HK\$359 million and HK\$345 million respectively for the year ended 31 December 2015, and consolidated loss before and after tax of approximately HK\$127 million for the year ended 31 December 2014. Cosmopolitan reported unaudited consolidated net assets of approximately HK\$1,144 million as at 30 June 2016. Further financial information of the Cosmopolitan Group is set out in Appendix III to this circular.

A simplified group chart including the above parties and projects is set out in the section headed “Group chart” below.

Background of Chengdu Transaction and Tianjin Transaction

In June 2013, the Cosmopolitan Group entered into agreements with the respective vendors to acquire the Chengdu Project and the Tianjin Project. The relevant transactions are summarised below:

- (i) Chengdu Transaction A — acquisition by Ample State (a wholly-owned subsidiary of Cosmopolitan) of 70% equity interests in the Chengdu Project from P&R Holdings (a joint venture of Paliburg and Regal owned as to 50% each) at a final consideration of approximately HK\$618.3 million (after the Novation of approximately HK\$648.1 million). The outstanding consideration payable amounted to approximately HK\$312.5 million as at the Latest Practicable Date, and after including interest accrued up to 13 October 2016 (by which date settlement of the outstanding consideration is expected to take place) of approximately HK\$16.9 million, the total outstanding amount payable would amount to approximately HK\$329.4 million;

LETTER FROM THE PALIBURG BOARD

- (ii) Chengdu Transaction B — acquisition by Ample State of the remaining 30% equity interests in the Chengdu Project from Faith Crown (a joint venture of Regal and Cosmopolitan owned as to 50% each) at a final consideration of approximately HK\$1,190.9 million (after the Novation of approximately HK\$648.1 million). The outstanding consideration payable amounted to approximately HK\$1,147.2 million as at the Latest Practicable Date, and including interest accrued up to 13 October 2016 (by which date settlement of the outstanding consideration is expected to take place) of approximately HK\$62.1 million, the total outstanding amount payable would amount to approximately HK\$1,209.3 million;

- (iii) Tianjin Transaction — acquisition by Fortune City (a wholly-owned subsidiary of Cosmopolitan) of 100% equity interests in the Tianjin Project from Regal BVI (a wholly-owned subsidiary of Regal) at a final consideration of approximately HK\$1,460.7 million. The outstanding consideration payable amounted to approximately HK\$1,181.8 million as at the Latest Practicable Date, and after including interest accrued up to 13 October 2016 (by which date settlement of the outstanding consideration is expected to take place) of approximately HK\$64.0 million, the total outstanding amount payable would amount to approximately HK\$1,245.8 million; and

- (iv) Novation — novation of the outstanding consideration of approximately HK\$648.1 million payable by P&R Holdings to Faith Crown under the 2011 CD Transaction and assumption by Ample State.

Details of the aforesaid transactions were set out in the announcement dated 27 June 2013 jointly published by Century City, Paliburg and Regal, in Cosmopolitan's announcement dated 27 June 2013, in the respective circulars of Century City and Paliburg dated 29 August 2013 and in Cosmopolitan's circular dated 28 August 2013. Completion of the Chengdu Transaction, the Tianjin Transaction and the Novation took place on 13 September 2013. Under the terms of the Chengdu Transaction, the Tianjin Transaction and the Novation, the respective considerations were payable on the date falling three years after completion, i.e. 13 September 2016.

Profit distribution by Faith Crown

On 4 August 2016, the board of directors of Faith Crown resolved that subject to and on the date of satisfaction of all the conditions precedent to the Facilities Agreement, Faith Crown will effect the Profit Distribution whereby it will assign the then total amount receivable from Ample State to Regal BVI (a wholly-owned subsidiary of Regal) and Mass Surplus (a wholly-owned subsidiary of Cosmopolitan) in proportion to their respective 50-50 interests in Faith Crown by way of profit distribution. The total amount receivable from Ample State as at 13 October 2016 would amount to approximately HK\$1,209.3 million (being the aggregate of the outstanding consideration arising from the Chengdu Transaction B and the Novation plus interest accruing up to such date). Based on the aforesaid amount, after the Profit Distribution, the amount owed by the Cosmopolitan Group to the Regal Group shall increase by approximately HK\$604.7 million to approximately HK\$1,850.5 million.

LETTER FROM THE PALIBURG BOARD

The following table sets out the amounts payable by the Cosmopolitan Group to P&R Holdings, Faith Crown and Regal BVI arising from the Chengdu Transaction (after the Novation) and the Tianjin Transaction before and after the Profit Distribution as at 13 October 2016 (by which date settlement of the outstanding considerations is expected to take place, subject to fulfilment of the conditions precedent to the Loan Facilities).

Transaction	Party to which the Cosmopolitan Group owes	Security pledged in favour of the relevant party (before the Profit Distribution) as at the Latest Practicable Date	Amount payable by the Cosmopolitan Group			
			Outstanding consideration payable ^(Note 1)	Interest ^(Note 2)	After the Profit Distribution	After settlement ^(Note 3)
			HK\$ million	HK\$ million	HK\$ million	HK\$ million
Chengdu Transaction A (after the Novation)	a)	35% of the issued shares of each of Joyous Unity and Excel Crown; and	312.5	16.9	329.4	—
	b)	35% of the shareholder loans owed by the Chengdu Group to Ample State.				
Chengdu Transaction B (after the Novation)	a)	65% [^] of the issued shares of each of Joyous Unity and Excel Crown; and	1,147.2	62.1	1,209.3	—
	b)	65% [^] of the shareholder loans owed by the Chengdu Group to Ample State.				
		[^] Including the security pledged under the Novation.				
Tianjin Transaction	Regal BVI	100% of the issued shares of Grand Praise; and 100% of the shareholder loan owed by the Tianjin Group to Fortune City.	1,181.8	64.0	1,245.8	1,850.5
						(“Regal Payable”)

Notes:

- Being the outstanding consideration in respect of the Chengdu Transaction, the Tianjin Transaction and/or the Novation (as the case may be) as at the Latest Practicable Date.
- Being the related interest calculated at 5% per annum on the outstanding consideration payable as at the Latest Practicable Date and accruing up to 13 October 2016 (by which date settlement of the outstanding considerations is expected to take place, subject to fulfilment of the conditions precedent to the Loan Facilities).
- Subject to fulfilment of the conditions precedent to the Loan Facilities.

LETTER FROM THE PALIBURG BOARD

Information on the Chengdu Project and the Tianjin Project

The Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the Chengdu Project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with 339 residential units with car parking spaces and ancillary commercial accommodation. While the business remodeling works in response to the current local market environment continue, the hotel is scheduled to open in phases from 2017. The second stage of the development comprises six residential towers with 957 units, the construction works for which are in progress. The completion of the residential towers in both the first and second stages of the development is expected to be in 2017.

The presale of three residential towers consisting of a total of 362 units (comprising two residential towers in the first stage and one residential tower in the second stage) commenced in April 2016 while the presale of additional 194 units in the second stage commenced at the end of September 2016, and there had been contracted sales of approximately RMB235 million as at the Latest Practicable Date. Presale of the remaining residential towers (comprising 740 units) in both stages is scheduled to be launched in stages commencing from the fourth quarter of 2016. The other components within the development, comprising commercial, office, serviced apartments and residential units, will continue to be developed in stages.

The Regal Group and the Cosmopolitan Group may in due course consider the possible acquisition by the Regal Group of the hotel component comprised in the Chengdu Project, as it is the intention of the Regal Group to take advantage of this investment opportunity to expand its hotel network in the PRC. As at the Latest Practicable Date, no definitive terms had been determined and the parties will comply with the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules when the parties enter into definitive agreements in respect of such possible acquisition.

The Tianjin Project

Located in the Hedong District in Tianjin, the Tianjin Project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The superstructure works of the four residential towers are progressing and the superstructure works of the commercial complex and the two office towers have already commenced. The presale of three residential towers, comprising 376 units, commenced in October 2015 while the presale of car parking spaces commenced at the end of August 2016. As at the Latest Practicable Date, approximately 99 per cent of the available units had been sold, realising contracted sales of approximately RMB980 million while the contracted sales of car parking spaces amounted to approximately RMB21 million. The remaining residential tower, comprising 136 units, and the commercial complex, comprising mainly shops of 19,000 square metres, are expected to be marketed for presale before the end of 2016. The entire development is anticipated to be completed in stages from 2017.

LETTER FROM THE PALIBURG BOARD

Repayment of outstanding considerations

As set out under the paragraph headed “Exercise of the Option” above, subject to the satisfaction of all the conditions precedent to the Facilities Agreement, P&R Holdings shall exercise the Option to subscribe for not less than HK\$330 million Optional CB on the date on which the first advance of the Loan Facilities is made. The proceeds from such subscription will be utilised by the Cosmopolitan Group to settle the P&R Payable in full and the security related to the P&R Payable will be released.

Subject to satisfaction of all the conditions precedent to the Facilities Agreement, the Loan Facilities will be utilised to repay the Regal Payable (after the Profit Distribution) and the security related to the Regal Payable and the FC Payable (including those under the Novation) will be released.

It is the intention of the parties that the drawdown of the Loan Facilities, the subscription of not less than HK\$330 million Optional CB, the Profit Distribution, the settlement of the P&R Payable and the Regal Payable, the release of the security related to the P&R Payable, the Regal Payable and the FC Payable (including those under the Novation), and the creation of the security related to the Loan Facilities shall take place simultaneously.

Extension of the maturity dates of the CB and the Optional CB

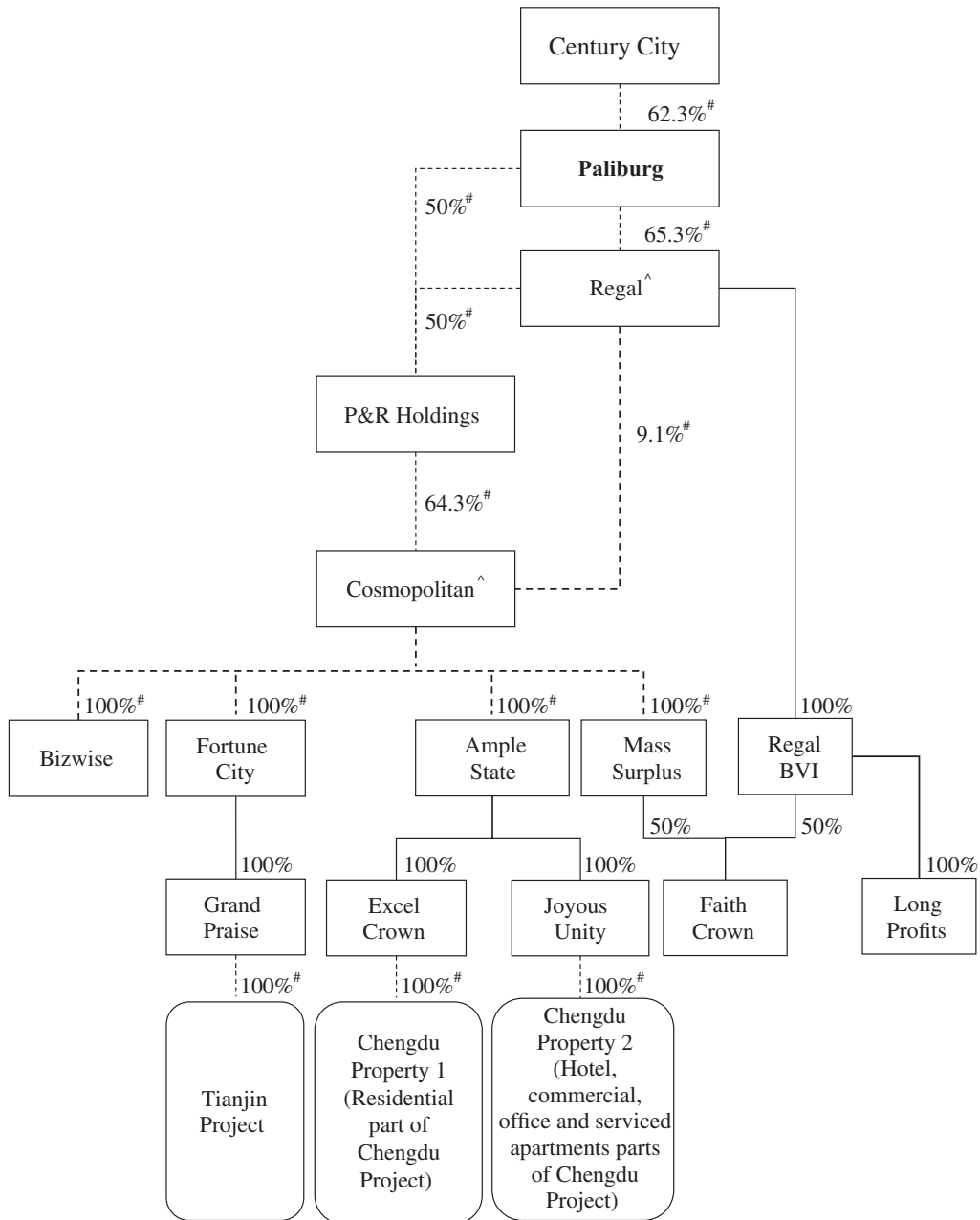
The Convertible Bonds will mature on 18 August 2017. Taking into account the latest financial position of the Cosmopolitan Group and the latest presale progress and completion/sale schedule of the Chengdu Project and the Tianjin Project as well as the overall future business strategy of the Cosmopolitan Group, the parties agreed to extend the maturity dates of the Convertible Bonds to 18 August 2021. Cosmopolitan has applied for, and the Stock Exchange has granted, an approval under Rule 28.05 of the Listing Rules in respect of the change to the terms of the CB and the Optional CB pursuant to the CB Extension Agreement and the Optional CB Extension Agreement subject to (i) the details of such approval being disclosed by way of an announcement and (ii) the relevant independent shareholders’ approval having been obtained for the Extensions.

Given that Cosmopolitan is a listed subsidiary of Paliburg and the terms of the Convertible Bonds have been agreed among the relevant parties in 2014, and after taking into account the extension of the maturity dates of the Convertible Bonds by four years would align the timing of redemption of the Convertible Bonds with the latest presale progress and completion/sale schedule of the Chengdu Project and the Tianjin Project in the next five years, the Paliburg Directors consider that the terms of the Extensions are fair and reasonable and in the interests of Paliburg and the Paliburg Shareholders as a whole.

LETTER FROM THE PALIBURG BOARD

GROUP CHART

A simplified group chart of the relevant parties and projects as at the Latest Practicable Date is set out below.



Notes:

Held through wholly-owned subsidiaries.

^ As at the Latest Practicable Date, Cosmopolitan (through a wholly-owned subsidiary) held approximately 2.5% of the total ordinary shares of Regal in issue.

LETTER FROM THE PALIBURG BOARD

SHAREHOLDING STRUCTURE OF COSMOPOLITAN

As at the Latest Practicable Date, the P&R Group held (i) approximately 64.3% of the Cosmopolitan Shares in issue; (ii) the CB in the principal amount of HK\$500 million; (iii) the Option to subscribe for the Optional CB in the principal amount of up to HK\$500 million; and (iv) approximately 2,345.5 million convertible preference shares of Cosmopolitan. Under the terms of the Convertible Bonds, a holder may not exercise its conversion right to the extent that it would result in Cosmopolitan failing to comply with the public float requirement of the Listing Rules applicable to Cosmopolitan (i.e. 25%). The Convertible Bonds are not subject to any restriction that disallows them to be converted in case that a mandatory general offer will be triggered under the Takeovers Code as a result of the conversion.

Set out below for illustration purposes are the current shareholding structure of Cosmopolitan and the shareholding structure in the following scenarios:

	As at the Latest Practicable Date		Assuming conversion in full of the CB		Assuming exercise of the Option in full and conversion in full of the Convertible Bonds		Assuming exercise of the Option in full and conversion in full of the Convertible Bonds and all other convertible securities of the Cosmopolitan Group in issue as at the Latest Practicable Date ^(Note 1)	
	Number of		Number of		Number of		Number of	
	Cosmopolitan Shares	Approximate %	Cosmopolitan Shares	Approximate %	Cosmopolitan Shares	Approximate %	Cosmopolitan Shares	Approximate %
The P&R Group	2,731,316,716	64.26	4,159,888,144	73.25	5,409,888,144	78.08	7,755,375,500	82.17
The Regal Group	<u>386,540,000</u>	<u>9.09</u>	<u>386,540,000</u>	<u>6.81</u>	<u>386,540,000</u>	<u>5.58</u>	<u>386,540,000</u>	<u>4.10</u>
Directors of Cosmopolitan	3,117,856,716	73.35	4,546,428,144	80.06	5,796,428,144	83.66	8,141,915,500	86.27
	<u>3,649,101</u>	<u>0.09</u>	<u>3,649,101</u>	<u>0.06</u>	<u>3,649,101</u>	<u>0.05</u>	<u>3,649,101</u>	<u>0.04</u>
Public shareholders	3,121,505,817	73.44	4,550,077,245	80.12	5,800,077,245	83.71	8,145,564,601	86.31
	<u>1,128,950,029</u>	<u>26.56</u>	<u>1,128,950,029</u>	<u>19.88^(Note2)</u>	<u>1,128,950,029</u>	<u>16.29^(Note2)</u>	<u>1,292,421,110</u>	<u>13.69^(Note2)</u>
Total	<u>4,250,455,846</u>	<u>100.00</u>	<u>5,679,027,274</u>	<u>100.00</u>	<u>6,929,027,274</u>	<u>100.00</u>	<u>9,437,985,711</u>	<u>100.00</u>

Notes:

- As at the Latest Practicable Date, Cosmopolitan had (i) 2,345,958,437 convertible preference shares in issue which are convertible into 2,345,958,437 Cosmopolitan Shares; and (ii) outstanding zero coupon guaranteed convertible bonds due 2020 in the aggregate principal amount of HK\$57,050,000 which are convertible into 163,000,000 Cosmopolitan Shares.
- The above shareholding structure is for illustration purposes only as under the respective terms of the Convertible Bonds and other convertible securities of the Cosmopolitan Group in issue as at the Latest Practicable Date, a holder may not exercise its conversion right to the extent that it would result in Cosmopolitan failing to comply with the public float requirement under the Listing Rules applicable to Cosmopolitan.

LETTER FROM THE PALIBURG BOARD

FINANCIAL EFFECT OF THE EXTENSIONS AND POSSIBLE CONVERSION OF THE CONVERTIBLE BONDS

Upon the Extensions becoming effective and assuming conversion of the Convertible Bonds in full and no other change in the shareholding of Cosmopolitan, Cosmopolitan will continue to be a listed subsidiary of Paliburg and the financial statements of the Cosmopolitan Group will continue to be consolidated into the financial statements of the Paliburg Group.

The Extensions and possible conversion of the Convertible Bonds in full are not expected to have any material financial impact on the Paliburg Group.

Further details of the financial effects of the Extensions and possible conversion in full of the Convertible Bonds on the Paliburg Group are set out in Appendix IV to this circular.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Extensions and the possible conversion of the Convertible Bonds for Paliburg is more than 25% but less than 100%, the Extensions together with the possible conversion of the Convertible Bonds constitute a major transaction for Paliburg under the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Paliburg has obtained written shareholders' approval for the Extensions and the possible conversion of the Convertible Bonds from a closely allied group of Paliburg Shareholders who in aggregate held approximately 74.6% of the issued share capital of Paliburg as at the Latest Practicable Date. The closely allied group of Paliburg Shareholders comprises Mr. LO Yuk Sui himself, who personally owned approximately 8.1% of the issued share capital of Paliburg 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 owned approximately 1.5% of the issued share capital of Paliburg, (ii) Splendid All Holdings Limited, which owned approximately 2.7% of the issued share capital of Paliburg, (iii) Almighty International Limited, which owned approximately 31.1% of the issued share capital of Paliburg, (iv) Century City Holdings Limited, which owned approximately 2.7% of the issued share capital of Paliburg, (v) Cleverview Investments Limited, which owned approximately 16.2% of the issued share capital of Paliburg, (vi) Gold Concorde Holdings Limited, which owned approximately 2.6% of the issued share capital of Paliburg, (vii) Meylink Limited, which owned approximately 4.4% of the issued share capital of Paliburg, (viii) Smartaccord Limited, which owned approximately 0.8% of the issued share capital of Paliburg, and (ix) Splendour Corporation, which owned approximately 4.5% of the issued share capital of Paliburg as at the Latest Practicable Date. Accordingly, no shareholders' meeting of Paliburg will be convened for the purpose of approving the Extensions and the possible conversion of the Convertible Bonds.

LETTER FROM THE PALIBURG 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 of
Paliburg Holdings Limited
LO Yuk Sui
Chairman

The original principal terms of the Convertible Bonds (before the Extensions) are set out below:

Original principal terms of the CB

- Issue date: 18 August 2014
- Principal amount: HK\$500 million
- Issuer: Apex Team (a wholly-owned subsidiary of Cosmopolitan)
- CB Conversion Price: The initial CB Conversion Price (subject to adjustments as set out in the paragraph headed “Adjustments to the Conversion Prices” below) of HK\$0.35 per CB Conversion Share was determined by the Cosmopolitan Board, was agreed and accepted by P&R Holdings at the time of entering into of the CB Subscription Agreement, and was approved by the then independent shareholders of Cosmopolitan. It represents:
- (i) a premium of approximately 6.1% over the closing price of HK\$0.33 per Cosmopolitan Share as quoted on the Stock Exchange on the date of the Joint Announcement, being the date of the CB Extension Agreement;
 - (ii) a premium of approximately 10.1% over the average closing price of approximately HK\$0.318 per Cosmopolitan Share as quoted on the Stock Exchange for the last five trading days up to and including 4 August 2016;
 - (iii) a premium of approximately 20.7% over the closing price of HK\$0.29 per Cosmopolitan Share as quoted on the Stock Exchange on the Latest Practicable Date;
 - (iv) a premium of approximately 118.8% over the audited consolidated net assets of Cosmopolitan attributable to its shareholders as at 31 December 2015 of approximately HK\$0.16 per share (based on Cosmopolitan Shares and convertible preference shares of Cosmopolitan in issue as at the Latest Practicable Date); and
 - (v) a premium of approximately 105.9% over the unaudited consolidated net assets of Cosmopolitan attributable to its shareholders as at 30 June 2016 of approximately HK\$0.17 per share (based on Cosmopolitan Shares and convertible preference shares of Cosmopolitan in issue as at the Latest Practicable Date).

APPENDIX I**ORIGINAL PRINCIPAL TERMS OF THE
CONVERTIBLE BONDS (BEFORE THE EXTENSIONS)**

Interest rate: The CB bears 2.5% per annum coupon rate, payable semi-annually.

Maturity date: The CB matures on 18 August 2017. On the maturity date, all of the remaining outstanding CB will be redeemed by Apex Team at 100% of the outstanding principal amount of the CB together with any interest accrued thereon.

Pursuant to the CB Extension Agreement, subject to the terms and conditions therein, the maturity date of the CB is proposed to be extended to 18 August 2021.

Form: The CB is in registered form.

Original principal terms of the Optional CB

Principal amount: Up to HK\$500 million

Issuer: Apex Team

Optional CB Conversion Price: The initial Optional CB Conversion Price (subject to adjustments as set out in the paragraph headed “Adjustments to the Conversion Prices” below) of HK\$0.40 per Optional CB Conversion Share was determined by the Cosmopolitan Board, was agreed and accepted by P&R Holdings at the time of entering into of the CB Subscription Agreement, and was approved by the then independent shareholders of Cosmopolitan. It represents:

- (i) a premium of approximately 21.2% over the closing price of HK\$0.33 per Cosmopolitan Share as quoted on the Stock Exchange on the date of the Joint Announcement, being the date of the Optional CB Extension Agreement;
- (ii) a premium of approximately 25.8% over the average closing price of approximately HK\$0.318 per Cosmopolitan Share as quoted on the Stock Exchange for the last five trading days up to and including 4 August 2016;
- (iii) a premium of approximately 37.9% over the closing price of HK\$0.29 per Cosmopolitan Share as quoted on the Stock Exchange on the Latest Practicable Date;

- (iv) a premium of approximately 150.0% over the audited consolidated net assets of Cosmopolitan attributable to its shareholders as at 31 December 2015 of approximately HK\$0.16 per share (based on Cosmopolitan Shares and convertible preference shares of Cosmopolitan in issue as at the Latest Practicable Date); and
- (v) a premium of approximately 135.3% over the unaudited consolidated net assets of Cosmopolitan attributable to its shareholders as at 30 June 2016 of approximately HK\$0.17 per share (based on Cosmopolitan Shares and convertible preference shares of Cosmopolitan in issue as at the Latest Practicable Date).

Interest rate: The Optional CB bears 3.5% per annum coupon rate, payable semi-annually.

Maturity date: The Optional CB matures on 18 August 2017. On the maturity date, all of the remaining outstanding Optional CB will be redeemed by Apex Team at 100% of the outstanding principal amount of the Optional CB together with any interest accrued thereon.

Pursuant to the Optional CB Extension Agreement, subject to the terms and conditions therein, the maturity date of the Optional CB is proposed to be extended to 18 August 2021.

Form: The Optional CB will be issued in registered form.

Other original terms of the Convertible Bonds

Conversion: The holder of the CB can convert the outstanding CB into CB Conversion Shares and the holder of the Optional CB can convert the outstanding Optional CB into Optional CB Conversion Shares at any time from the 7th day after the date of issue of the CB and the Optional CB until a date falling on the 7th day prior to the maturity date at the then prevailing Conversion Prices respectively, provided that a holder may not exercise its conversion right to the extent that it would result in Cosmopolitan failing to comply with the public float requirement under the Listing Rules applicable to Cosmopolitan (i.e. 25%).

Fractions of the Conversion Shares will not be issued on conversion and no cash adjustment will be made in respect thereof if it is less than HK\$100. There are no restrictions on any subsequent dealings in the Conversion Shares.

Adjustments to the Conversion Prices:	The initial Conversion Prices will be subject to adjustments for share consolidations, share subdivisions, re-classification of share into other securities (upon which the Conversion Prices will be adjusted proportionately such that their holders would receive the number of Cosmopolitan Shares and/or such other securities which they would have been entitled to had they been converted before the re-classification), capitalisation issues, capital distributions, rights issues, and certain other dilutive events, including issue of new Cosmopolitan Shares at a subscription price below the then prevailing market price of the Cosmopolitan Shares and issue of convertible securities with conversion prices below the then prevailing market price of the Cosmopolitan Shares.
Voting:	The holders of the Convertible Bonds shall not be entitled to receive notices of, attend or vote at any general meetings of Cosmopolitan or any meetings of any class of Cosmopolitan's shares, by reason only of it being a holder of the Convertible Bonds.
Listing:	<p>The Convertible Bonds are not and will not be listed on the Stock Exchange or any other stock exchange. No application has been or will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. No application has been or will be made for the admissibility, deposit, clearance or settlement of the Convertible Bonds in CCASS. No transfer, clearing or settlement services will be provided by HKSCC in respect of the Convertible Bonds.</p> <p>Cosmopolitan obtained approval from the Stock Exchange in July 2014 for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.</p>
Transferability:	The Convertible Bonds are freely transferable.
Security:	The Convertible Bonds shall not be secured by any collateral but shall be guaranteed by Cosmopolitan.
Ranking of the Conversion Shares:	The Conversion Shares shall be duly and validly issued, fully paid and registered, and free from encumbrances and all such Conversion Shares shall rank <i>pari passu</i> in all respects with the fully paid Cosmopolitan Shares in issue on the relevant date of conversion of the Convertible Bonds on Cosmopolitan's register of members (after issue of the Conversion Shares upon conversion of the Convertible Bonds) and shall accordingly entitle the holders thereof to participate in full in all dividends or other distributions the record date for which falls on a date on or after the relevant conversion date.

Number of Conversion Shares

As at the Latest Practicable Date, the outstanding principal amount of the CB remained at HK\$500 million and none of the CB had been converted. The Option had not been exercised by the P&R Group as at the Latest Practicable Date and the exercise of the Option will be subject to the undertaking as further detailed under the paragraph headed “Exercise of the Option” in the “Letter from the Paliburg Board” section of this circular.

Assuming full conversion of the outstanding CB as at the Latest Practicable Date at the initial CB Conversion Price, the maximum number of approximately 1,428.6 million CB Conversion Shares (with an aggregate nominal value of approximately HK\$2.9 million) would be issued, representing:

- (i) approximately 33.6% of the Cosmopolitan Shares in issue as at the Latest Practicable Date;
- (ii) approximately 25.2% of the Cosmopolitan Shares in issue as at the Latest Practicable Date as enlarged by the issue of the CB Conversion Shares at the initial CB Conversion Price; and
- (iii) approximately 15.1% of the Cosmopolitan Shares in issue as at the Latest Practicable Date as enlarged by the issue of the Conversion Shares and the issue of approximately 2,509.0 million new Cosmopolitan Shares upon conversion in full of all other convertible securities of the Cosmopolitan Group in issue as at the Latest Practicable Date.

Assuming exercise in full of the Option and full conversion of the Optional CB at the initial Optional CB Conversion Price, the maximum number of 1,250.0 million Optional CB Conversion Shares (with an aggregate nominal value of HK\$2.5 million) would be issued, representing:

- (i) approximately 29.4% of the Cosmopolitan Shares in issue as at the Latest Practicable Date;
- (ii) approximately 22.7% of the Cosmopolitan Shares in issue as at the Latest Practicable Date as enlarged by the issue of the Optional CB Conversion Shares at the initial Optional CB Conversion Price;
- (iii) approximately 18.0% of the Cosmopolitan Shares in issue as at the Latest Practicable Date as enlarged by the issue of the Conversion Shares at the initial Conversion Prices; and
- (iv) approximately 13.2% of the Cosmopolitan Shares in issue as at the Latest Practicable Date as enlarged by the issue of the Conversion Shares and the issue of approximately 2,509.0 million new Cosmopolitan Shares upon conversion in full of all other convertible securities of the Cosmopolitan Group in issue as at the Latest Practicable Date.

APPENDIX II FINANCIAL INFORMATION OF THE PALIBURG GROUP

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

The audited consolidated financial information of the Paliburg Group for each of the three years ended 31 December 2013, 2014 and 2015 is disclosed on pages 52 to 169 of the annual report of Paliburg for the year ended 31 December 2013, pages 47 to 160 of the annual report of Paliburg for the year ended 31 December 2014 and pages 48 to 157 of the annual report of Paliburg for the year ended 31 December 2015, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of Paliburg (www.paliburg.com.hk).

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

The unaudited consolidated financial information of the Paliburg Group for the six months ended 30 June 2016 is disclosed on pages 23 to 52 of the interim report of Paliburg for the six months ended 30 June 2016 which is available on both the website of the Stock Exchange (www.hkexnews.hk) and the website of Paliburg (www.paliburg.com.hk).

INDEBTEDNESS

As at the close of business on 31 August 2016, being the latest practicable date for the purpose of this statement of indebtedness, the Paliburg Group had outstanding borrowings of approximately HK\$16,496.2 million which represented (i) bank loans of HK\$9,481.0 million secured by certain of the Paliburg Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, time deposits and bank balances, with an aggregate net book value of approximately HK\$18,648.4 million as at 30 June 2016, (ii) unsecured notes of US\$647.0 million (approximately HK\$5,019.4 million) issued under a US\$1,000.0 million medium term note programme of Regal, (iii) unsecured notes of HK\$775.0 million and US\$150.0 million (approximately HK\$1,163.7 million) issued under a US\$1,000.0 million medium term note programme of Regal REIT (the "**Regal REIT MTN Programme**") and (iv) outstanding convertible bonds in the principal amount of HK\$57.1 million.

Apart from the indebtedness under the Regal REIT MTN Programme which was guaranteed by the trustee of Regal REIT (on behalf of Regal REIT) and except for a bank loan of HK\$19.1 million, all of the above outstanding borrowings of the Paliburg Group were guaranteed by Paliburg or certain of its subsidiaries.

Save as disclosed above and apart from intra-group liabilities, the Paliburg Group did not have, at the close of business on 31 August 2016, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance leases commitments, or any guarantees or other material contingent liabilities.

APPENDIX II FINANCIAL INFORMATION OF THE PALIBURG GROUP

WORKING CAPITAL

The Paliburg Directors are of the opinion that, after taking into account the internal resources, the present banking facilities available to the Paliburg Group, the Extensions and possible conversion of the Convertible Bonds, the Paliburg 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.

MATERIAL ADVERSE CHANGE

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

FINANCIAL AND TRADING PROSPECTS OF THE PALIBURG GROUP

The Paliburg Group

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

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

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

The Regal Group and the Cosmopolitan Group are subsidiary groups of Paliburg. Their prospects are further set out below.

The Regal Group

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

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

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

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

The Cosmopolitan Group

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

AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COSMOPOLITAN GROUP FOR THE NINE MONTHS ENDED 31 DECEMBER 2013 AND THE TWO YEARS ENDED 31 DECEMBER 2014 AND 2015

The audited consolidated financial information of the Cosmopolitan Group for each of the nine months ended 31 December 2013 and the two years ended 31 December 2014 and 2015 is disclosed on pages 42 to 122 of the annual report of Cosmopolitan for the nine months ended 31 December 2013, pages 39 to 118 of the annual report of Cosmopolitan for the year ended 31 December 2014 and pages 36 to 106 of the annual report of Cosmopolitan for the year ended 31 December 2015, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of Cosmopolitan (www.cosmoholdings.com).

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

The unaudited consolidated financial information of the Cosmopolitan Group for the six months ended 30 June 2016 is disclosed on pages 14 to 39 of the interim report of Cosmopolitan for the six months ended 30 June 2016 which is available on both the website of the Stock Exchange (www.hkexnews.hk) and the website of Cosmopolitan (www.cosmoholdings.com).

MANAGEMENT DISCUSSION AND ANALYSIS ON THE COSMOPOLITAN GROUP**FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2013**

As stated in its announcement dated 21 January 2014, Cosmopolitan changed its financial year end date from 31 March to 31 December and reported financial results for the nine months ended 31 December 2013.

Business and financial review

The Cosmopolitan Group was principally engaged in property investment and development in Hong Kong and the PRC, and financial assets and other investments. During the nine-month period ended 31 December 2013, in September 2013, the Cosmopolitan Group acquired from P&R Holdings and Regal their respective interests in the two large scale development projects in Chengdu and Tianjin (i.e. the Chengdu Project and the Tianjin Project), the PRC, both major cities in the PRC, and sold its Rainbow Lodge Properties (as defined below under the section headed “Disposal of interests in properties in Yuen Long, Hong Kong”) to P&R Holdings. Cosmopolitan became a listed subsidiary of P&R Holdings, in turn, of Paliburg and Century City, on 16 September 2013. With the completion of these two strategic acquisitions, it is intended that a majority proportion of the businesses of the Cosmopolitan Group will in future be focused on property development and investment in the PRC.

As disclosed in a joint announcement by Cosmopolitan and others dated 30 September 2013, P&R Holdings, a 50-50 joint venture held by Paliburg and Regal, on 14 September 2013 acquired from the then single largest shareholder of Cosmopolitan, the ordinary shares of Cosmopolitan representing approximately 19.4% of the then issued share capital of Cosmopolitan at a price of HK\$0.07 per

share. P&R Holdings on 16 September 2013 further fully converted their holdings of the then outstanding convertible bonds issued by the Cosmopolitan Group into new ordinary shares of Cosmopolitan. As a result, P&R Holdings and its concert parties came to own, in aggregate, approximately 67.6% of the entire issued share capital of Cosmopolitan. In accordance with the Takeovers Code, P&R Holdings extended an unconditional mandatory general cash offer to all the independent shareholders of Cosmopolitan at the offer price of HK\$0.07 per share, as set out in the composite offer document dated 11 November 2013 despatched to the shareholders of Cosmopolitan, which offer duly closed on 2 December 2013.

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

Following the appointment of Ernst & Young as Cosmopolitan's new auditors as announced by Cosmopolitan on 21 January 2014, Cosmopolitan reassessed the terms of the convertible bonds issued by the Cosmopolitan Group in 2007 and 2008, respectively, and came to the view that the embedded conversion rights of these convertible bonds were more appropriate to be accounted for in the Cosmopolitan Group's consolidated financial statements as financial derivatives, rather than as equity instruments as previously recognised in the Cosmopolitan Group's prior years' financial statements. Due to the change in the accounting treatment of the convertible bonds, the fluctuation in the appraised fair values of the embedded conversion rights from time to time would have implications on the consolidated statements of profit or loss and the consolidated statements of financial position of the Cosmopolitan Group, and it adversely affected the financial results of the Cosmopolitan Group for the nine-month period ended 31 December 2013. However, as all these convertible bonds had been fully converted by their holders into new ordinary shares of Cosmopolitan prior to their maturity in September 2013, these adjustments to the Cosmopolitan Group's consolidated financial statements were purely technical and accounting in nature and did not have any impact on the cash flow, financial status or the operations of the Cosmopolitan Group.

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

Properties

The property businesses of the Cosmopolitan Group were principally focused in the PRC. Over the past few years, the central government of the PRC implemented different measures to cool down the real estate sector in Mainland China and these measures generated positive effects for a gradual consolidation of the property market.

A brief review on the property projects undertaken by the Cosmopolitan Group is set out below.

(i) Property development*Chengdu Project*

The Chengdu Project was previously held as to 70% by P&R Holdings and the remaining 30% by Faith Crown, a joint venture 50-50 owned by the Regal Group and the Cosmopolitan Group. Pursuant to the transactions completed in September 2013, a wholly-owned subsidiary of Cosmopolitan acquired from P&R Holdings and Faith Crown, their respective interests in the project, with the consideration in each case based on an independent professional valuation of the Chengdu Project of RMB1,540 million as of 31 May 2013 and with a 5% discount to the valuation, subject to adjustments for other net tangible assets. The Chengdu Project is now 100% owned by the Cosmopolitan Group.

The project involves a mixed use development project located in Xindu District in Chengdu, Sichuan Province, consisting of hotel, commercial, office, service apartments and residential components with an overall total gross floor area of approximately 497,000 square metres, which is being developed in stages spanning over a period to 2017. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 apartment units with car parking spaces and ancillary commercial accommodation.

Tianjin Project

The Tianjin Project was acquired from the Regal Group as part of the transactions completed in September 2013, with a consideration based on an independent professional valuation of the Tianjin Project of RMB1,250 million as of 31 May 2013 and with a 10% discount to the valuation, subject to adjustments for other net tangible assets.

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

Xinjiang Project

This is a re-forestation and land grant project in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC that has been undertaken by the Cosmopolitan Group since 2008, which involves a total site area of about 7,600 mu. Up to the date of release of the final results announcement for the nine months ended 31 December 2013, the Cosmopolitan Group had re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi City, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the re-forested area by the relevant government authorities were already in progress.

Should the Cosmopolitan Group successfully secure the development land and depending on the permitted land use, the Cosmopolitan Group preliminarily plans to develop in stages on the land a large scale mixed use complex comprising residential, hotel, recreational and commercial properties.

Wuxi Project

As disclosed in the interim report of Cosmopolitan for the six months ended 30 September 2013, the Cosmopolitan Group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for the possible acquisition and development of a parcel of land of about 937 mu (equivalent to approximately 624,270 square metres) located in Huishan District, Wuxi City, Jiangsu Province, the PRC (the "**Wuxi Project**"). The Co-operation Agreement for the Wuxi Project was subject to certain terms to be agreed by the parties within six months of the date of the agreement.

(ii) Property investment*Tongzhou Project*

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

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

Financial assets and other investments

As the Cosmopolitan Group became principally focused on property development and investment in the PRC, business activities in financial assets investments during the nine-month period ended 31 December 2013 relatively reduced. However, financial assets and other investment businesses would continue to be part of the principal activities of the Cosmopolitan Group and would be deployed to enhance the yield on the liquid resources of the Cosmopolitan Group from time to time.

Liquidity and financial resources

Current assets and current liabilities of the Cosmopolitan Group as at 31 December 2013 were HK\$2,776.1 million and HK\$113.6 million respectively. Cash and bank balances and time deposits (excluding pledged time deposits and bank balances) stood at HK\$399.6 million as at 31 December 2013. There was an improvement in net assets attributable to the owners of Cosmopolitan to

HK\$1,244.8 million mainly due to the conversion of the then outstanding convertible bonds issued by the Cosmopolitan Group by P&R Holdings as mentioned under the paragraph headed “Capital structure” below. As at 31 December 2013, excluding the considerations payable to the vendors for acquisition of the Chengdu Project (including the Novation) and the Tianjin Project, the Cosmopolitan Group had net cash balance of HK\$389.1 million and therefore no gearing.

Capital structure

During the nine months ended 31 December 2013, on 16 September 2013, the conversion rights attached to the outstanding convertible bonds issued by Fancy Gold Limited, a wholly-owned subsidiary of Cosmopolitan, due in 2010 (with maturity date on 16 May 2010, which was subsequently further extended to 30 September 2013) in an aggregate principal amount of HK\$141,450,000 were exercised to convert into a total of 3,536,250,000 new ordinary shares of Cosmopolitan at a conversion price of HK\$0.04 per share (as adjusted).

During the nine months ended 31 December 2013, on 2 July 2013, the options granted by Apex Team, also a wholly-owned subsidiary of Cosmopolitan, to the holders of the convertible bonds in an aggregate principal amount of HK\$200,000,000 due in 2013 (with maturity date on 14 February 2013, which was subsequently extended to 30 September 2013) issued by Apex Team (“**CB 2013**”) were exercised to subscribe for additional CB 2013 in an aggregate principal amount of HK\$200,000,000 (“**Optional CB 2013**”). On 16 September 2013, the conversion rights attached to the CB 2013 and the Optional CB 2013 were exercised to convert, in each case, into 3,333,333,332 new ordinary shares of Cosmopolitan, at a conversion price of HK\$0.06 per share (as adjusted).

Material investment, acquisition and disposal of subsidiaries and associates

In view of the acquisition opportunities available and the expected continuing growth in the PRC economy, Cosmopolitan entered into, during the nine-month period ended 31 December 2013, various agreements relating to the disposals of certain subsidiaries of the Cosmopolitan Group, which held properties in Hong Kong, to P&R Holdings and the acquisition of certain subsidiaries of P&R Holdings and Regal, which held property development projects in the PRC.

Acquisition of interests in the Chengdu Project

On 27 June 2013, a conditional sale and purchase agreement was entered into between Ample State, a wholly-owned subsidiary of Cosmopolitan, as the purchaser and P&R Holdings as the vendor in relation to the Chengdu Transaction A involving the transfer of 70% effective interests in the Chengdu Project, by way of the transfer of all the interests then held by P&R Holdings (representing 70% of the existing entire issued share capital) in Joyous Unity and Excel Crown and the loans owed to P&R Holdings by the Chengdu Group to Ample State.

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

Also on 27 June 2013, a conditional sale and purchase agreement was entered into between Faith Crown, a joint venture owned as to 50% each by Regal and Cosmopolitan, as the vendor and Ample State as the purchaser in relation to the Chengdu Transaction B involving the transfer of the remaining 30% effective interests in the Chengdu Project to Cosmopolitan, by way of the transfer of all the interests then held by Faith Crown (representing 30% of the existing entire issued share capital) in Joyous Unity and Excel Crown and the loans owed to Faith Crown by the Chengdu Group to Ample State.

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

In June 2011, Faith Crown entered into an agreement in relation to the 2011 CD Transaction involving the disposal of a 70% interest in the Chengdu Group to P&R Holdings for a final adjusted consideration of HK\$1,024.7 million payable in cash by instalments. Upon completion of the 2011 CD Transaction, Joyous Unity was granted an option to purchase the completed hotel and commercial podium of the Chengdu Project (the “**Put Option**”). On 27 June 2013, P&R Holdings, Ample State and Faith Crown entered into a novation and variation deed (the “**Novation Agreement**”) in relation to the Novation whereby Ample State would assume the outstanding consideration of approximately HK\$648.1 million payable by P&R Holdings to Faith Crown (the “**Novated Liability**”) in consideration of the tantamount reduction in the consideration payable by Ample State to P&R Holdings for the Chengdu Transaction A. The completion of the Novation Agreement would take place simultaneously with the completion of the Chengdu Transaction. The Novated Liability (with accrued interest) would be payable within three years after completion of the Chengdu Transaction in any number of instalments at the discretion of Ample State. Upon completion of the Chengdu Transaction, the Put Option was terminated and ceased to have effect.

The transactions contemplated under the Chengdu Transaction A (including the Novation) were approved by the shareholders of each of Century City and Paliburg by way of written approval. The

transactions contemplated under the Chengdu Transaction (including the Novation) were approved by the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 13 September 2013. Following the Chengdu Transaction becoming unconditional, completion of the Chengdu Transaction (including the Novation) took place on 13 September 2013.

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

Relevant details of the Chengdu Transaction and the Novation were disclosed in the announcement of Cosmopolitan dated 27 June 2013 and the circular of Cosmopolitan dated 28 August 2013.

Acquisition of interests in the Tianjin Project

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

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

The transactions contemplated under the Tianjin Transaction were approved by the independent shareholders of Cosmopolitan at its extraordinary general meeting held on 13 September 2013. Following the Tianjin Transaction becoming unconditional, completion of the Tianjin Transaction took place on 13 September 2013. Before the consideration and the interest accrued are fully settled, Fortune City has pledged its entire equity interests in the companies holding the Tianjin Land in favour of Regal BVI and has undertaken to comply with certain restrictive covenants to protect the interests of Regal BVI. After taking into account the completion adjustment, the aggregate consideration for the Tianjin Transaction was HK\$1,460.7 million.

Relevant details of the Tianjin Transaction were disclosed in the announcement of Cosmopolitan dated 27 June 2013 and the circular of Cosmopolitan dated 28 August 2013.

Disposal of interests in properties in Yuen Long, Hong Kong

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

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

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

Relevant details of the transactions under the Rainbow Lodge Agreement were disclosed in the announcement of Cosmopolitan dated 27 June 2013 and the circular of Cosmopolitan dated 28 August 2013.

Number and remuneration of employees

Based on the annual report of Cosmopolitan for the nine months ended 31 December 2013, the Cosmopolitan Group employed 107 staff in Hong Kong and the PRC. The Cosmopolitan Group’s management considers 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 are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Cosmopolitan Group include a mandatory provident fund scheme as well as medical and life insurance.

Pledge of assets

As at 31 December 2013, part of the Cosmopolitan Group’s bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$37.5 million were pledged to secure general banking facilities granted to the Cosmopolitan Group.

Capital commitment

As at 31 December 2013, the Cosmopolitan Group had commitments contracted but not provided for in respect of the Cosmopolitan Group's property development projects of HK\$638.3 million.

Exposure to foreign exchange

The Cosmopolitan Group's operation is mainly in Hong Kong and the PRC. Entities within the Cosmopolitan Group were exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that were denominated in a currency that was not the entity's functional currency.

The Cosmopolitan Group did not have a foreign currency hedging policy. It managed its foreign currency risk by closely monitoring the movement of the foreign currency rates and entering into foreign currency option contracts to reduce the exposure should the need arise.

Financial instruments for hedging

During the nine months ended 31 December 2013, the Cosmopolitan Group did not use any financial instrument for hedging purposes.

Contingent liabilities

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

FOR THE YEAR ENDED 31 DECEMBER 2014***Business and financial review***

For the year ended 31 December 2014, Cosmopolitan recorded a consolidated loss attributable to shareholders of HK\$127.4 million, as compared to a loss of HK\$88.2 million for the nine months ended 31 December 2013. The loss incurred for the year ended 31 December 2014 was principally attributable to the finance costs arising from the interest accruing on the balance consideration payable for the acquisition of the Chengdu Project and the increased administrative and other overhead costs associated with the development of the Chengdu Project as well as the Tianjin Project, both acquired in September 2013.

(i) Property Development***Chengdu Project***

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers

with about 340 residential units with car parking spaces and ancillary commercial accommodation. The construction works for these three residential towers were expected to be completed in the third quarter of 2016 and units presale was anticipated to be launched in the third quarter of 2015. Having considered the local market environment, the hotel portion included in the first stage was planned to be completed in phases from 2016. The other components comprised within the overall development would continue to be developed in stages.

Tianjin Project

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres. The development plans were revised to include only commercial, office and residential components with total gross floor area of about 145,000 square metres and such plans were approved by the local government authority. The piling works for the project were completed.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan Group re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site would be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities was still ongoing and some remedial re-forestation works would be undertaken to meet the requirements of the government authorities. In the meantime, the Cosmopolitan Group would work on the design of the master plan to prepare for the land grant procedures. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded as soon as practicable. Should the Cosmopolitan Group successfully secure the development land and depending on the permitted land use, the Cosmopolitan Group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

Wuxi Project

The Cosmopolitan Group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for a parcel of land of about 937 mu (equivalent to approximately 624,700 square metres) located in Huishan District, Wuxi, Jiangsu Province, which was subject to certain terms to be agreed by the parties within six months of the date of the agreement. The Cosmopolitan Group could not reach agreement with the relevant parties in respect of those certain terms and further negotiations with respect to the Co-operation Agreement were discontinued.

(ii) Property Investment*Tongzhou Project*

BJ WFOE, a wholly-owned subsidiary of Cosmopolitan established in Beijing, entered into a co-operation agreement with a PRC independent third party in February 2014 to subscribe for 82.5% equity interest in a company which is involved in the Tongzhou Project, a primary development project located in Tongzhou District, Beijing, subject to the fulfilment of certain prescribed conditions. The principal purpose of the project was to develop buildings for the purposes of housing resettlement under PRC government policies. As certain conditions were not fulfilled by the independent third party, the co-operation agreement lapsed. BJ WFOE had obtained the approval from the relevant PRC authority for (1) an increase of its registered capital from RMB298 million to RMB500 million and (2) a change of its business nature to an investment company, which would strengthen its capital base and facilitate potential investments in other property development and investment projects in the PRC.

Liquidity and financial resources

Current assets and current liabilities of the Cosmopolitan Group as at 31 December 2014 were HK\$3,199.9 million and HK\$168.3 million respectively. Cash and bank balances and time deposits (excluding pledged time deposits) stood at HK\$624.1 million as at 31 December 2014. Net assets attributable to owners of Cosmopolitan changed to HK\$1,510.8 million (from HK\$1,244.8 million as at 31 December 2013) mainly due to the Open Offer as further set out below and the consolidated loss for the year ended 31 December 2014.

Cosmopolitan announced an open offer of shares in conjunction with a share consolidation in April 2014 (the “**Open Offer**”). The Open Offer was very well received, with applications from qualifying shareholders accounting for approximately 89.8% of the shares available for subscription and with applications for excess shares exceeding 24 times of the total shares available for subscription under excess application. The Open Offer was closed in August 2014 and new equity funds of approximately HK\$439.8 million were raised, which were applied for the injection of additional capital in a subsidiary of the Cosmopolitan Group incorporated in the PRC and for general working capital.

Contemporaneously upon the closing of the Open Offer, P&R Holdings completed the CB Subscription Agreement to subscribe for the CB in the principal amount of HK\$500 million and was granted the Option to subscribe for the Optional CB up to an aggregate principal amount of HK\$500 million (the “**CB Subscription**”). The issue of the CB could potentially further enhance the capital base of Cosmopolitan, while the funds received were used to repay some of the Cosmopolitan Group’s indebtedness bearing higher interest rates, thereby reducing the interest expenses in the meantime. Detailed information regarding the terms and conditions of the CB and the Optional CB was contained in the circular of Cosmopolitan dated 20 June 2014 and has been reproduced in Appendix I to this circular.

As at 31 December 2014, excluding the considerations payable to the vendors for acquisition of the Chengdu Project (including the Novation) and the Tianjin Project, the Cosmopolitan Group had net cash balance of HK\$180.3 million and therefore no gearing.

Capital structure

During the year under review, every ten (10) issued and unissued ordinary shares of par value HK\$0.0002 each in the share capital of Cosmopolitan were consolidated into one (1) ordinary share of par value HK\$0.002 (“**Consolidated Share(s)**”) in the share capital of Cosmopolitan with effect from 15 July 2014 (the “**Share Consolidation**”), pursuant to an ordinary resolution passed by the shareholders of Cosmopolitan at its extraordinary general meeting held on 14 July 2014 (the “**2014 EGM**”).

Pursuant to a special resolution passed by the shareholders of Cosmopolitan at the 2014 EGM, 4,397,609,522 unissued Consolidated Shares had been re-designated as 4,397,609,522 unissued non-voting non-redeemable convertible preference shares of par value HK\$0.002 each (“**Convertible Preference Shares**”) subject to the relevant rights and terms incorporated in the articles of association of Cosmopolitan by virtue of such special resolution with effect from 15 July 2014.

As a result, the authorised share capital of Cosmopolitan has since then been changed to HK\$250,000,000 divided into 120,602,390,478 Consolidated Shares and 4,397,609,522 Convertible Preference Shares.

On 18 August 2014, a total of 2,051,282,571 new Consolidated Shares and 2,346,326,951 new Convertible Preference Shares were allotted and issued to those entitled under the Open Offer.

Details of the Share Consolidation, the creation of the Convertible Preference Shares, and the proposals relating to the Open Offer and the CB Subscription were set out in the circular and/or the prospectus of Cosmopolitan dated 20 June 2014 and 24 July 2014, respectively.

Material investment, acquisition and disposal of subsidiaries and associates

During the year ended 31 December 2014, there were no material acquisitions or disposals of subsidiaries or associates of Cosmopolitan.

Number and remuneration of employees

Based on the annual report of Cosmopolitan for the year ended 31 December 2014, the Cosmopolitan Group employed approximately 100 staff in Hong Kong and the PRC. The Cosmopolitan Group’s 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 on an annual basis 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 and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

Pledge of assets

As at 31 December 2014, certain of the Cosmopolitan Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK\$13.8 million were pledged to secure general banking facilities granted to the Cosmopolitan Group.

In addition, the Cosmopolitan Group's equity interests in the relevant holding companies of the Chengdu Project and the Tianjin Project were pledged to secure the other payables under non-current liabilities and the related interest payables under current liabilities in respect of the acquisition of the Chengdu Project (including the Novation) and the Tianjin Project in 2013.

Capital commitment

As at 31 December 2014, the Cosmopolitan Group had, in respect of its property development projects, commitments authorised but not contracted for of HK\$61.7 million and commitments contracted but not provided for of HK\$1,659.1 million.

Exposure to foreign exchange

The Cosmopolitan Group's operations were mainly in Hong Kong and Mainland China. Entities within the Cosmopolitan Group were exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that were denominated in currencies that are not the entities' functional currencies.

The Cosmopolitan Group did not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and entering into foreign currency option contracts to reduce the exposure should the need arises.

Financial instruments for hedging

During the year ended 31 December 2014, the Cosmopolitan Group did not use any financial instrument for hedging purpose.

Contingent liabilities

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

FOR THE YEAR ENDED 31 DECEMBER 2015*Business and financial review*

For the year ended 31 December 2015, Cosmopolitan recorded a consolidated loss attributable to shareholders of HK\$344.9 million, as compared to a loss of HK\$127.4 million for year 2014. The increase in the loss reported for 2015 was mainly due to the recording of a fair value loss of HK\$146.4 million on derivative financial instruments in relation to the Option to subscribe for the Optional CB granted in conjunction with the issue of the CB in August 2014 and an impairment loss of HK\$57.0 million on certain property under development. These losses are non-cash in nature and, in particular, the recognition of the fair value loss on derivative financial instruments is purely to conform to applicable accounting standards and will not have any ultimate impact on the financial position of the Cosmopolitan Group.

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

A brief overview on the property projects currently undertaken by the Cosmopolitan Group in the PRC is set out below.

Property Development*Chengdu Project*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation. The construction works for these three residential towers were expected to be completed before the end of 2016 and the units presale was anticipated to be launched in the second quarter of 2016. Having considered the local market environment, a series of business remodeling works were being planned for the hotel, which was anticipated to be completed in phases from early 2017. The second stage of the development comprises six residential towers with about 960 units, the construction works for which are in progress and are scheduled to be completed in the second quarter of 2017. Presale of the units is expected to be launched before the end of 2016. The other components comprised within the overall development will continue to be developed in stages.

Tianjin Project

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The sub-structure works for the project were completed and superstructure works of the four residential towers were progressing. The presale of the first two residential towers comprising 256 residential units were launched in October 2015. Up to the date of release of final results announcement for the year ended 31 December, 2015, more than 96% of the units had been presold, realising contracted sale considerations in excess of RMB671 million. The remaining two residential towers with 256 residential units and the commercial complex comprising mainly shops of about 19,000 square metres was planned to be marketed for presale later in 2016. The entire development is anticipated to be completed in stages from 2017.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan Group re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site would be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed.

There has been some delay in the carrying out of the requisite remedial re-forestation works and the original schedule planned for the inspection by the relevant government authorities was affected. The Cosmopolitan Group took steps to reorganise the local management team and also appointed professional advisers to co-ordinate and assist on the necessary protective measures, with a view to restoring normal business operations for the project. Based on legal advice obtained, the legitimate interests of the Cosmopolitan Group in this re-forestation and land grant contract remained valid and effective. The Cosmopolitan Group was planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities could be resumed and the final procedures leading to the land grant listing and tender of the development land could be concluded. Should the Cosmopolitan Group successfully secure the development land and depending on the permitted land use, the Cosmopolitan Group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

Liquidity and financial resources

Current assets and current liabilities of the Cosmopolitan Group as at 31 December 2015 were HK\$3,293.2 million and HK\$3,476.8 million respectively. As at 31 December 2015, the Cosmopolitan Group recorded net current liabilities of HK\$183.6 million, as the outstanding balance of the consideration payables aggregating HK\$2,881.9 million due to the vendors in relation to the Cosmopolitan Group's acquisition of the interests in the Chengdu Project (including the Novation) and

the Tianjin Project in 2013, repayable on or before 13 September 2016, was recorded as current liabilities. The existing repayment date for the consideration payables was originally set by reference to the development and sale schedules for the two development projects formulated at the time of their acquisitions. However, due to the slowdown in the property market of China as a whole since 2013, the progress of the two developments lagged behind the original projections.

Cash and bank balances and time deposits (excluding pledged time deposits) stood at HK\$266.0 million as at 31 December 2015. Net assets attributable to owners of Cosmopolitan reduced to HK\$1,040.4 million (from HK\$1,510.8 million as at 31 December 2014) due to the consolidated loss recorded for the year ended 31 December 2015 of approximately HK\$344.9 million and exchange losses of approximately HK\$125.4 million arising from translation of foreign operations.

As at 31 December 2015, excluding the considerations payable to the vendors for acquisition of the Chengdu Project (including the Novation) and the Tianjin Project, the gearing ratio of the Cosmopolitan Group was 1.3%, representing the Cosmopolitan Group's borrowings net of cash and bank balances and deposits of HK\$69.8 million, as compared to the total assets of the Cosmopolitan Group of HK\$5,510.0 million.

Capital structure

During the year ended 31 December 2015, there was no change in the share capital of Cosmopolitan.

Material investment, acquisition and disposal of subsidiaries and associates

During the year ended 31 December 2015, there were no material acquisitions or disposals of subsidiaries or associates of Cosmopolitan.

Number and remuneration of employees

Based on the annual report of Cosmopolitan for the year ended 31 December 2015, the Cosmopolitan Group employed approximately 110 staff in Hong Kong and the PRC. The Cosmopolitan Group's 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 on an annual basis 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 and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

Pledge of assets

The Cosmopolitan Group's equity interests in the relevant holding companies of the Chengdu Project and the Tianjin Project were pledged to secure the consideration payables and the related interest payables in respect of the acquisition of the Chengdu Project (including the Novation) and the Tianjin Project in September 2013.

There was no pledge of assets as at 31 December 2015 to secure general banking facility granted to the Cosmopolitan Group.

Capital commitment

As at 31 December 2015, the Cosmopolitan Group had commitments contracted but not provided for in respect of the Cosmopolitan Group's property development projects of HK\$1,640.1 million.

Exposure to foreign exchange

The Cosmopolitan Group's operations were mainly in Hong Kong and Mainland China. Entities within the Cosmopolitan Group were exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that were denominated in currencies that are not the entities' functional currencies.

The Cosmopolitan Group did not have a foreign currency hedging policy. It managed its foreign currency risk by closely monitoring the movement of the foreign currency rates and entering into foreign currency option contracts to reduce the exposure should the need arises.

Financial instruments for hedging

During the year ended 31 December 2015, the Cosmopolitan Group did not use any financial instrument for hedging purpose.

Contingent liabilities

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

Save as disclosed above, the Cosmopolitan Group did not have other contingent liabilities as at 31 December 2015.

FOR THE SIX MONTHS ENDED 30 JUNE 2016

Business and financial review

For the six months ended 30 June 2016 ("1H 2016"), the Cosmopolitan Group attained an unaudited consolidated profit attributable to shareholders of HK\$40.3 million, as compared to a loss of HK\$164.0 million recorded for the corresponding six months in 2015. The profit attained in 1H 2016 was largely attributable to a gain of HK\$89.8 million arising from the decrease in the fair value

of the outstanding Option for the subscription of the Optional CB, which was recognised as a reduction in financial liability in the Cosmopolitan Group's financial statements, as well as the recognition of a gain on bargain purchase of HK\$30.3 million arising from the Cosmopolitan Group's acquisition of a 60% interest in a subsidiary investing in a licensed logistics services provider in Shanghai, the PRC. Both gains are mainly accounting in nature and do not have any immediate impact on the Cosmopolitan Group's cash flows.

For 1H 2016, the economy of China continued to stabilise. Its Gross Domestic Product decelerated from 6.9 percent in 2015 to 6.7 percent in the first half of 2016 but was within the target range set by the Central Government. Although faced with relatively weak exports and slowing investment, the domestic rebalancing of its economy is gradually under way and the concerns over a possible hard landing of its economy are being relieved. Benefited by the relaxation in the fiscal and other administrative policies controlling the property market in China since last year, the property market rapidly revived, particularly in the residential sector in the first and second tier cities.

Taking advantage of the favourable market conditions, the Cosmopolitan Group began to launch the presale of the residential units in the Tianjin Project and the Chengdu Project in October 2015 and in April 2016, respectively. Up to the date of release of the interim results announcement for the six months ended 30 June 2016, the Tianjin Project has secured contracted sales of approximately RMB968 million and for the Chengdu Project, approximately RMB166 million. Further information on the Chengdu Project, the Tianjin Project, the re-forestation and land grant project in Urumqi, Xinjiang, as well as the Cosmopolitan Group's latest acquisition of a 60% interest in a subsidiary investing in a licensed logistics services provider in Shanghai, which transaction was completed in May 2016, is set out below.

(i) **Property development**

Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with about 306 hotel rooms and extensive facilities and three residential towers with 339 residential units with car parking spaces and ancillary commercial accommodation. While the business remodeling works in response to the current local market environment continue, the hotel is scheduled to open in phases from 2017. The second stage of the development comprises six residential towers with 957 units, the construction works for which are in progress. The completion of the residential towers in both the first and second stages of the development is expected to be in 2017. The presale of two residential towers in the first stage and one residential tower in the second stage, consisting of a total of 362 units, commenced in April 2016, and there have been contracted sales of approximately RMB166 million. Presale of the remaining six residential towers with 934 units in both stages is scheduled to be launched in stages commencing from the fourth quarter of 2016. The other components within the development, comprising commercial, office, serviced apartments and residential units, will continue to be developed in stages.

Tianjin Project

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The superstructure works of the four residential towers are progressing and the superstructure works of the commercial complex and the two office towers have already commenced. The presale of three residential towers, comprising 376 units, commenced in October 2015. Up to the date of release of the interim results announcement for the six months ended 30 June 2016, approximately 98% of the available units have been sold, realising contracted sales of approximately RMB968 million. The remaining residential tower, comprising 136 units, the commercial complex, comprising mainly shops of about 19,000 square metres, and the car parking spaces are expected to be marketed for presale before the end of 2016. The entire development is anticipated to be completed in stages from 2017.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan Group re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed. The Cosmopolitan Group has already taken necessary steps to reorganise the local management team, with a view to restoring normal business operations for the project and carrying out the remedial re-forestation works for inspection by the relevant government authorities. The Cosmopolitan Group will also initiate measures to settle the land disputes with the surrounding villagers, with an aim to resume the possession of certain parcels of land within the project site being illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan Group in this re-forestation and land grant contract remain valid and effective. The Cosmopolitan Group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

(ii) Logistics Business*Shanghai Logistics Project*

During 1H 2016 the Cosmopolitan Group completed the acquisition of an effective 60% interest in a group of companies (the “**Logistics Group**”) operating logistics and related businesses in the PRC (the “**Logistics Acquisition**”). The Cosmopolitan Group recognised a gain on bargain purchase of HK\$30.3 million upon the business combination during 1H 2016, which is based on a provisional amount and subject to the finalisation of the fair value estimation of the considerations transferred and identifiable net assets acquired within 12 months from the date of acquisition.

One of the companies within the Logistics Group is a licensed courier services provider in the PRC. It has leased an industrial premises with an aggregate lettable area of about 40,000 square metres in Pudong, Shanghai, the PRC (the “**Leased Property**”) from an affiliated company of the ultimate shareholder holding the remaining 40% interest in the Logistics Group (the “**Existing Owner**”) to operate the logistics and related businesses. The ultimate 40% shareholder of the Logistics Group has also through his wholly owned subsidiary entered into a consultancy agreement with the Logistics Group to procure the development and expansion of the logistics businesses with an additional business operating area of 120,000 square metres. The shareholders of the company owning the Leased Property (being the ultimate 40% shareholder of the Logistics Group and his family member) have granted a purchase option to the Logistics Group to acquire the aforesaid property owning company owning the Leased Property and its wholly owned subsidiary which has a contractual right to acquire the land parcel adjacent to the Leased Property. Further details of the above-mentioned acquisition, consultancy agreement, purchase option and other related transactions were disclosed in the related announcements published by Cosmopolitan.

Since the completion of the Logistics Acquisition, the Logistics Group has performed profitably and steadily. The rental occupancy of the Leased Property is about 82% which is based on the occupancy rate of the available area of about 37,000 square metres for sub-letting, with about 77% being rented to e-commerce merchants (who are exclusively using courier services provided by the Logistics Group) and the remaining areas being rented to other tenants with fixed-rate rentals. In light of the positive outlook of the e-commerce market in China and taking into account the planned expansion of the logistics business, it is expected that the Logistics Group would generate satisfactory income to the Cosmopolitan Group.

Liquidity and financial resources

Current assets and current liabilities of the Cosmopolitan Group as at 30 June 2016 were HK\$3,864.8 million and HK\$4,227.1 million respectively. As at 30 June 2016, the Cosmopolitan Group had cash and bank balances and deposits of HK\$644.1 million and no bank borrowings.

On 31 May 2016, in connection with the Logistics Acquisition, the Cosmopolitan Group issued (a) convertible bonds in the principal amount of HK\$23,800,000 to a company wholly-owned by the Existing Owner in consideration of procurement of development and expansion of the business of the Logistics Group by the Existing Owner and (b) convertible bonds in the aggregate principal amount of HK\$33,250,000 to another company wholly-owned by the Existing Owner, of which HK\$29,100,000 was issued in consideration of the Existing Owner providing undertakings not to compete with the business of the Logistics Group and the remaining balance of HK\$4,150,000 was subscribed for in cash, following completion of the Logistics Acquisition.

As at 30 June 2016, excluding the consideration payables owed to the vendors for the acquisition of the interests in the Chengdu Project (including the Novation) and the Tianjin Project in 2013, the Cosmopolitan Group had cash and bank balances and deposits, net of convertible bonds, of HK\$138.5 million and therefore no gearing.

Capital structure

During 1H 2016, there was no change in the share capital of Cosmopolitan.

Material investment, acquisition and disposal of subsidiaries and associates

With the aim of diversifying and broadening its business portfolio through the expansion and development of the logistics business and capitalising on the increasing demands for logistics services market by e-commerce merchants in Mainland China, the Cosmopolitan Group entered into certain agreements in relation to the Logistics Acquisition, details of which were disclosed in Cosmopolitan's announcements dated 13 January 2016, 11 March 2016, 12 April 2016 and 29 April 2016. The Logistics Acquisition was completed on 31 May 2016 and the acquired Logistics Group companies have since become subsidiaries of the Cosmopolitan Group.

Number and remuneration of employees

Based on the interim report of Cosmopolitan for the six months ended 30 June 2016, the Cosmopolitan Group employed approximately 90 staff in Hong Kong and the PRC. The Cosmopolitan Group's 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 on an annual basis 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 and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

Pledge of assets

The Cosmopolitan Group's equity interests in the relevant holding companies of the Chengdu Project and the Tianjin Project were pledged to secure the consideration payables and the related interest payables in respect of the acquisition of the Chengdu Project (including the Novation) and the Tianjin Project in September 2013.

There was no pledge of assets as at 30 June 2016 to secure general banking facility granted to the Cosmopolitan Group.

Capital commitment

As at 30 June 2016, the Cosmopolitan Group had commitments contracted but not provided for in respect of the Cosmopolitan Group's property development projects of HK\$825.0 million.

Exposure to foreign exchange

The Cosmopolitan Group's operations were mainly in Hong Kong and Mainland China. Entities within the Cosmopolitan Group were exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that were denominated in currencies that are not the entities' functional currencies.

The Cosmopolitan Group did not have a foreign currency hedging policy. It managed its foreign currency risk by closely monitoring the movement of the foreign currency rates and entering into foreign currency option contracts to reduce the exposure should the need arises.

Financial instruments for hedging

During 1H 2016, the Cosmopolitan Group did not use any financial instrument for hedging purpose.

Contingent liabilities

A subsidiary of the Cosmopolitan Group was a defendant in certain outstanding litigation claims relating to the re-forestation project located in Xinjiang in the PRC. Based on the advice from the Cosmopolitan Group's legal counsel, the litigation claims were pending verification and/or the Cosmopolitan Group had good grounds of defence against the allegations. Accordingly, the directors of Cosmopolitan considered that it was appropriate to disclose such claims in an aggregate amount of approximately RMB9,554,000 (HK\$11,168,000) as contingent liabilities and no provision were made in the financial statements.

Save as disclosed above, the Cosmopolitan Group did not have other contingent liabilities as at 30 June 2016.

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

The following unaudited pro forma statement of assets and liabilities of the Paliburg Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared on the basis of the notes set out below for the purposes of illustrating the effects on the assets and liabilities of the Paliburg Group as if the Extensions (including full conversion of the Convertible Bonds) had been completed on 30 June 2016.

The Unaudited Pro Forma Financial Information of the Paliburg Group as at 30 June 2016 has been prepared based on (i) the unaudited condensed consolidated statement of financial position of Paliburg as at 30 June 2016 as set out in its published interim report for the six-month period ended 30 June 2016; and (ii) the pro forma adjustments prepared to reflect the effects of the Extensions (including full conversion of the Convertible Bonds) as explained in the notes set out below that are directly attributable to the Extensions (including full conversion of the Convertible Bonds) and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information of the Paliburg Group should be read in conjunction with the financial information of Paliburg as set out in its published interim report for the six-month period ended 30 June 2016, and other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Paliburg Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Paliburg Group had the Extensions (including full conversion of the Convertible Bonds) been completed as at 30 June 2016 or any future date.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE PALIBURG GROUP**
**UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF
THE PALIBURG GROUP**

	The Paliburg Group as at 30 June 2016	Pro forma adjustments		Pro forma Paliburg Group
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
NON-CURRENT ASSETS				
Property, plant and equipment	19,768.1	—	—	19,768.1
Investment properties	2,243.3	—	—	2,243.3
Properties under development	1,296.3	—	—	1,296.3
Investments in associates	29.2	—	—	29.2
Convertible bonds	—	500.0(b)	(500.0)	—
Available-for-sale investments	252.4	—	—	252.4
Financial assets at fair value through profit or loss	50.7	—	—	50.7
Contingent consideration receivable	11.2	—	—	11.2
Loans receivable	9.2	—	—	9.2
Deposits and prepayments	78.7	—	—	78.7
Deferred tax assets	93.3	—	—	93.3
Goodwill	261.0	—	—	261.0
Trademark	610.2	—	—	610.2
Other intangible assets	119.6	—	—	119.6
Total non-current assets	<u>24,823.2</u>	<u>500.0</u>	<u>(500.0)</u>	<u>24,823.2</u>
CURRENT ASSETS				
Properties under development	6,895.1	—	—	6,895.1
Properties held for sale	1,274.6	—	—	1,274.6
Inventories	70.4	—	—	70.4
Debtors, deposits and prepayments	841.0	—	—	841.0
Loans receivable	0.4	—	—	0.4
Held-to-maturity investments	419.9	—	—	419.9
Financial assets at fair value through profit or loss	457.5	—	—	457.5
Tax recoverable	2.1	—	—	2.1
Restricted cash	215.6	—	—	215.6
Pledged time deposits and bank balances	235.9	—	—	235.9
Time deposits	1,203.8	—	—	1,203.8
Cash and bank balances	1,468.4	500.0 (a)	—	1,468.4
		<u>(500.0)(b)</u>		
Total current assets	<u>13,084.7</u>	<u>—</u>	<u>—</u>	<u>13,084.7</u>

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE PALIBURG GROUP**

	The Paliburg Group as at 30 June 2016	Pro forma adjustments		Pro forma Paliburg Group
	<i>(Note 1)</i> <i>HK\$'million</i>	<i>(Note 2)</i> <i>HK\$'million</i>	<i>(Note 3)</i> <i>HK\$'million</i>	<i>HK\$'million</i>
CURRENT LIABILITIES				
Creditors and accruals	(847.8)	—	—	(847.8)
Deposits received	(1,062.6)	—	—	(1,062.6)
Interest bearing bank borrowings	(1,186.5)	—	—	(1,186.5)
Tax payable	(141.5)	—	—	(141.5)
Total current liabilities	<u>(3,238.4)</u>	<u>—</u>	<u>—</u>	<u>(3,238.4)</u>
NET CURRENT ASSETS	<u>9,846.3</u>	<u>—</u>	<u>—</u>	<u>9,846.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>34,669.5</u>	<u>500.0</u>	<u>(500.0)</u>	<u>34,669.5</u>
NON-CURRENT LIABILITIES				
Creditor and deposits received	(118.9)	—	—	(118.9)
Interest bearing bank borrowings	(8,473.1)	—	—	(8,473.1)
Other borrowings	(4,227.5)	—	—	(4,227.5)
Convertible bonds	(27.6)	(500.0)(a)	500.0	(27.6)
Deferred tax liabilities	(2,222.6)	—	—	(2,222.6)
Total non-current liabilities	<u>(15,069.7)</u>	<u>(500.0)</u>	<u>500.0</u>	<u>(15,069.7)</u>
Net assets	<u>19,599.8</u>	<u>—</u>	<u>—</u>	<u>19,599.8</u>

Notes:

- (1) The balances have been extracted from the unaudited condensed consolidated statement of financial position of Paliburg as at 30 June 2016 as set out in its published interim report for the six-month period ended 30 June 2016.
- (2) The following represent adjustments to the Paliburg Group's assets and liabilities assuming that the Optional CB (as if extended by the Optional CB Extension Agreement) was subscribed for the maximum principal amount of HK\$500.0 million on 30 June 2016:
 - a. the cash consideration of HK\$500.0 million receivable by Cosmopolitan upon the issuance of the Optional CB to the P&R Group and the recognition of the Optional CB as non-current liabilities by Cosmopolitan at the same amount. As the Extensions (including full conversion of the Convertible Bonds) are intra-group transactions, which are eliminated on consolidation, it is assumed that the cash consideration represents the fair value of the liability portion of the Optional CB and nil value for the equity portion of the Optional CB (if any) at initial recognition and at 30 June 2016; and

- b. the cash consideration of HK\$500.0 million payable by the P&R Group for the subscription of the Optional CB and the recognition of the Optional CB as non-current assets by the P&R Group at the same amount assuming that the cash consideration represents the fair value of the Optional CB at initial recognition and at 30 June 2016.

- (3) The adjustment represents the derecognition of the Optional CB by Cosmopolitan (recognised as non-current liabilities) and by the P&R Group (recognised as non-current assets) assuming full conversion of the Optional CB into Optional CB Conversion Shares on 30 June 2016.

- (4) The CB Extension and the conversion of CB have no effect on the Paliburg Group's assets and liabilities, as the CB have been eliminated on consolidation in the condensed consolidated statement of financial position of Paliburg as at 30 June 2016.

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

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of Paliburg, Ernst & Young, Certified Public Accountants, in respect of the Unaudited Pro Forma Financial Information of the Paliburg Group.



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

7 October 2016

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

Dear Sirs

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

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 (hereinafter collectively referred to as 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 as at 30 June 2016, and related notes as set out on pages 49 to 52 of the circular dated 7 October 2016 (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 49 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the extension of terms of certain convertible bonds in Cosmopolitan International Holdings Limited (the “**Extensions**”) as defined in the Circular, and the full conversion of such convertible bonds, on the Group’s assets and liabilities as at 30 June 2016 as if the Extensions (including the full conversion of the convertible bonds) had taken place at 30 June 2016. As part of this process, information about the Group’s assets and liabilities has been extracted by the Directors from the Group’s financial statements for the six-month period ended 30 June 2016, on which a review report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**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**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 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 issued by the HKICPA.

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

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Extensions (including the full conversion of the convertible bonds) on

unadjusted financial information of the Group as if the Extensions (including the full conversion of the convertible bonds) 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 Extensions (including the full conversion of the convertible bonds) would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Extensions (including the full conversion of the convertible bonds), 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 Extensions (including the full conversion of the convertible bonds) 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 Paliburg 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 Paliburg. The Paliburg Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS OF PALIBURG DIRECTORS

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

Paliburg/Name of associated corporation	Name of Paliburg Director	Class of shares held	Personal interests	Number of shares held		Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Corporate interests	Family/ Other interests	
1. Paliburg	Mr. LO Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
	Mr. Donald FAN Tung	Ordinary (issued)	556	—	—	556 (0.000%)
	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%)

Paliburg/Name of associated corporation	Name of Paliburg 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)	110,667,396	1,769,164,691 <i>(Note a)</i>	380,683	1,880,212,770 (58.69%)	
	Mr. Jimmy LO Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)	
	Miss LO Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.004%)	
	Mr. 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	622,739,261 <i>(Note c)</i>	260,700	623,024,161 (67.89%)	
	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					
		(i) (issued)	—	3,117,856,716 <i>(Note e)</i>	—	3,117,856,716	
		(ii) (unissued)	—	5,024,058,784 <i>(Note f)</i>			5,024,058,784
						Total:	8,141,915,500 (191.55%)
		Preference (issued)	—	2,345,487,356 <i>(Note f)</i>	—		2,345,487,356 (99.98%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,269,101	—	—	2,269,101 (0.05%)	
	Miss LO Po Man	Ordinary (issued)	1,380,000	—	—	1,380,000 (0.03%)	
5. Regal REIT	Mr. LO Yuk Sui	Units (issued)	—	2,443,033,102 <i>(Note g)</i>	—	2,443,033,102 (74.99%)	
6. 8D International (BVI) Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	1,000 <i>(Note h)</i>	—	1,000 (100%)	

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 (“Mr. Lo”).
- (b) The interests in 694,124,547 issued Paliburg Shares were held through companies wholly owned by Century City, in which Mr. Lo held 58.67% shareholding interests.

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

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

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

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

- (c) The interests in 421,400 issued ordinary shares of Regal were held through companies wholly owned by Century City, in which Mr. Lo held 58.67% shareholding interests. The interests in 599,025,861 issued ordinary shares of Regal were held through companies wholly owned by Paliburg, in which Century City held 62.28% shareholding interests. The interests in the other 23,292,000 issued ordinary shares of Regal were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings (which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries) held 64.26% shareholding interests. Paliburg held 67.82% shareholding interests in Regal.
- (d) The interests in 269,169 issued ordinary shares of Regal were held by Miss LO Po Man as the beneficiary of a trust.
- (e) The interests in 2,731,316,716 issued Cosmopolitan Shares were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. The interests in the other 386,540,000 issued Cosmopolitan Shares were held through wholly owned subsidiaries of Regal. Paliburg, in which Century City held 62.28% shareholding interests, held 67.82% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.
- (f) The interests in 5,024,058,784 unissued of Cosmopolitan Shares were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 67.82% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.

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

The interests in 1,428,571,428 unissued Cosmopolitan Shares are derivative interests held through interests in the CB issued by a wholly owned subsidiary of Cosmopolitan. The CB are convertible into new Cosmopolitan Shares at a conversion price of HK\$0.35 per Cosmopolitan Share (subject to adjustments in accordance with the terms of the CB).

The interests in 1,250,000,000 unissued Cosmopolitan Shares are derivative interests held through interests in the possible subscription for the Optional CB to be issued by a wholly owned subsidiary of Cosmopolitan pursuant to the CB Subscription Agreement. The Optional CB, if subscribed for and issued, will be convertible into new Cosmopolitan Shares at a conversion price of HK\$0.40 per Cosmopolitan Share (subject to adjustments in accordance with the terms of the Optional CB).

- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of Regal. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of Paliburg. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of Century City. Cosmopolitan was held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 67.82% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.
- (h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.67% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed above, so far as is known to the Paliburg Directors, as at the Latest Practicable Date, none of the Paliburg Directors or the chief executive of Paliburg held any interests or short positions in the shares, underlying shares and debentures of Paliburg or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to Paliburg 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 Paliburg under Section 352 of the SFO, or which were required to be notified to Paliburg and the Stock Exchange pursuant to the Model Code.

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

- (1) Mr. LO Yuk Sui is a director of YSL International Holdings Limited.
- (2) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To and Miss LO Po Man are directors of Grand Modern Investment Limited.
- (3) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To, Mr. Donald FAN Tung, Miss LO Po Man, Mr. Kenneth NG Kwai Kai, Mr. NG Siu Chan and Mr. WONG Chi Keung are directors of Century City.
- (4) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To, Mr. Donald FAN Tung, 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.

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

3. OTHER INTERESTS OF DIRECTORS

As at the Latest Practicable Date,

(a) Interests in service contracts

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

(b) Interests in assets

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

(c) Interests in contracts or arrangements

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

4. COMPETING INTERESTS

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

5. LITIGATION

A subsidiary of the Cosmopolitan Group was a defendant in certain outstanding litigation claims in an aggregate amount of approximately RMB9.6 million (equivalent to approximately HK\$11.2 million) relating to the re-forestation project located in Xinjiang in the PRC. Based on the advice from the Cosmopolitan Group's legal counsel, the litigation claims were pending verification and/or the Cosmopolitan Group had good grounds of defence against the allegations.

Save as disclosed above, so far as the Paliburg Directors are aware, there was no litigation or claims of material importance pending or threatened against any member of the Paliburg 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 has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear. The letter of Ernst & Young is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Ernst & Young did not have any shareholding in any member of the Paliburg 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 Paliburg Group.

As at the Latest Practicable Date, Ernst & Young did not have any direct or indirect interest in any assets which have since 31 December 2015 (being the date to which the latest published audited consolidated accounts of the Paliburg Group were made up) been acquired or disposed of by or leased to any member of the Paliburg Group or are proposed to be acquired or disposed of by or leased to any member of the Paliburg Group.

7. MATERIAL CONTRACTS

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

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

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

8. MISCELLANEOUS

- (a) The registered office of Paliburg is at The Belvedere Building, 69 Fitts Bay Road, Pembroke HM08, Bermuda.
- (b) The head office and principal place of business of Paliburg in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.
- (c) The secretary of Paliburg is Ms. Eliza LAM Sau Fun, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The branch share registrar of Paliburg in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the above head office and principal place of business of Paliburg in Hong Kong from the date of this circular up to 21 October 2016 during normal business hours:

- (a) the memorandum of association and bye-laws of Paliburg;
- (b) the material contract referred to in the section headed "Material contracts" of this Appendix V;
- (c) the CB Extension Agreement;
- (d) the Optional CB Extension Agreement;
- (e) the annual reports of Paliburg for the two years ended 31 December 2014 and 2015;
- (f) the letter from Ernst & Young on the unaudited pro forma financial information of the Paliburg Group, the text of which is set out in Appendix IV to this circular;
- (g) the written consent of Ernst & Young referred to in the paragraph headed "Expert and consent" in this Appendix V; and
- (h) this circular.