
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



MAJOR TRANSACTION

AIRCRAFT LEASES

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

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Paliburg Board	4
Appendix I — Financial information of the Paliburg Group	9
Appendix II — General information	12

DEFINITIONS

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

“Agreements”	the Lease Amendment Agreements and the Option Agreements
“Call Options”	the six call options granted to the Lessee to purchase the respective Subject Aircraft from the Regal Group subject to the terms and conditions of the respective Option Agreements
“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)
“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 Group”	Cosmopolitan and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Announcement”	the announcement dated 7 November 2016 jointly published by Century City, Paliburg and Regal in relation to the Agreements
“Latest Practicable Date”	25 November 2016, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
“Leases”	the six leases of the respective Subject Aircraft to the Lessee under the respective Lease Amendment Agreements
“Lease Amendment Agreements”	the six amendment agreements dated 7 November 2016 entered into between the Lessor and the Lessee in respect of the respective Leases
“Lease Expiry Date”	the last day of the revised term of the Leases, being 31 December 2018
“Lessee”	the lessee of the Subject Aircraft under the Leases
“Lessor”	PB Leasing CA (UK) Limited, a wholly-owned subsidiary of Regal

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option Agreements”	the six option agreements dated 7 November 2016 entered into between the Owner and the Lessee in relation to the granting of the Call Options and the Put Options in respect of the respective Subject Aircraft and each is referred to the “Option Agreement”
“Option Price”	an amount equivalent to US\$70,000 (equivalent to approximately HK\$546,000) for each Subject Aircraft
“Owner”	Top Esteem Investments Limited, a wholly-owned subsidiary of Regal
“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
“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
“Put Options”	the six put options granted to the Owner to dispose of the respective Subject Aircraft to the Lessee subject to the terms and conditions of the respective Option Agreements
“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

DEFINITIONS

“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 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)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Aircraft”	six passenger aircraft manufactured by Embraer S.A. which were purchased by the Regal Group in February 2015
“Transaction”	the transaction contemplated under the Agreements (including the possible exercise of the Call Options by the Lessee and the possible exercise of the Put Options by the Regal Group)
“US\$”	United States dollars, the lawful currency of the United States of America

For illustration purposes and unless otherwise stated, US\$ is translated into HK\$ at an exchange rate of US\$1.00 = HK\$7.8

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:

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

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

11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

1 December 2016

To the Paliburg Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

AIRCRAFT LEASES

Reference is made to the Joint Announcement. On 7 November 2016, the Regal Group entered into the Agreements with the Lessee in relation to the extension of the expiry dates of the Leases, the revision of the monthly lease payments and the granting of the Call Options and the Put Options.

Regal is a listed subsidiary of Paliburg. The Transaction constitutes a major transaction for Paliburg subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The Transaction has 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 information in relation to the Transaction.

LETTER FROM THE PALIBURG BOARD

THE AGREEMENTS

On 7 November 2016 (after trading hours):

- (i) the Lessor (a wholly-owned subsidiary of Regal) entered into the Lease Amendment Agreements with the Lessee, pursuant to which, among others, the expiry dates of the Leases have been extended to 31 December 2018 and the monthly lease payments of the Leases have been revised (as detailed below under the section headed “Information on the Subject Aircraft and the Leases”); and
- (ii) the Owner (a wholly-owned subsidiary of Regal) entered into the Option Agreements with the Lessee, pursuant to which the Owner for a total consideration of US\$6.00 (equivalent to approximately HK\$46.8) has granted to the Lessee the Call Options each exercisable by the Lessee not less than six months prior to the Lease Expiry Date subject to the terms and conditions under the relevant Option Agreement to purchase the relevant Subject Aircraft from the Owner at the Option Price on the Lease Expiry Date, and the Lessee for a total consideration of US\$6.00 (equivalent to approximately HK\$46.8) has granted to the Owner the Put Options each exercisable by the Owner not less than three months prior to the Lease Expiry Date subject to the terms and conditions under the relevant Option Agreement to dispose of the relevant Subject Aircraft to the Lessee at the Option Price on the Lease Expiry Date.

The Lessee is an airline operator and has been the lessee of the Subject Aircraft under the Leases (before and after the Agreements). To the best knowledge, information and belief of the Paliburg Directors having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are independent of Paliburg and its connected persons.

INFORMATION ON THE SUBJECT AIRCRAFT AND THE LEASES

The Subject Aircraft comprises five ERJ-135 Embraer aircraft and one ERJ-145 Embraer aircraft aging from approximately 13 to 16 years old. The Subject Aircraft had an unaudited aggregate net book value of approximately US\$9.88 million (equivalent to approximately HK\$77.06 million) as at 7 November 2016 (being the date of the Agreements). For the year ended 31 December 2015 (from the dates of acquisition of the Subject Aircraft by the Regal Group on 6 and 13 February 2015), the Paliburg Group through the Regal Group recorded a total rental income of approximately US\$3.94 million (equivalent to approximately HK\$30.73 million) from the Leases, and the net profits attributable to the Leases amounted to approximately US\$2.40 million (equivalent to approximately HK\$18.72 million).

Prior to the entering into of the Agreements, the expiry dates of the Leases ranged from November 2016 to August 2018 while the total lease rentals of the Leases would amount to approximately US\$0.57 million (equivalent to approximately HK\$4.45 million) for the period from the date of the Agreements to 31 December 2016, approximately US\$1.54 million (equivalent to approximately HK\$12.01 million) for the year ending 31 December 2017 and approximately US\$0.90 million (equivalent to approximately HK\$7.02 million) for the year ending 31 December 2018. After the entering into of the Agreements, the terms of the Leases have all been extended to 31 December

LETTER FROM THE PALIBURG BOARD

2018 while the monthly lease payments of all the Leases have been increased with effect from 1 January 2017 resulting in the total revised lease payments of the Leases increasing to approximately US\$0.65 million (equivalent to approximately HK\$5.07 million) for the period from the date of the Agreements to 31 December 2016, and US\$5.04 million (equivalent to approximately HK\$39.31 million) for each of the two years ending 31 December 2017 and 2018, and the total Option Price for the Subject Aircraft under the Option Agreements would amount to US\$0.42 million (equivalent to approximately HK\$3.28 million). The aggregate lease payments of the Leases (as revised under the Agreements) for the period from 7 November 2016 (being the date of the Agreements) up to and including the Lease Expiry Date plus the total Option Price under the Option Agreements will amount to approximately US\$11.15 million (equivalent to approximately HK\$86.97 million) representing an amount of approximately US\$1.27 million (equivalent to approximately HK\$9.91 million) in excess of the total unaudited net book value of the Subject Aircraft as at 7 November 2016.

The lease payments for the Subject Aircraft are payable in advance on a monthly basis. The Option Price under the Option Agreements shall be payable on the Lease Expiry Date if the Call Options or the Put Options are exercised. The revised monthly lease payments of the Leases and the Option Price under the Option Agreements were determined after arm's-length negotiation between the parties taking into account the age, model and condition of the respective Subject Aircraft, the market segment relevant to the Subject Aircraft based on its size and capacity, and the revised terms of the Leases.

FINANCIAL EFFECT OF THE TRANSACTION

Before the Agreements, the Leases were treated as operating leases in the consolidated financial statements of Paliburg. Consequent upon entering into the Agreements by the Regal Group, the Leases have been treated as finance leases with effect from 7 November 2016, being the date of the Agreements, in accordance with the applicable accounting standards as substantially all the risks and rewards incidental to ownership of the Subject Aircraft have been transferred to the Lessee under the revised terms.

Assets and liabilities

On the date of the Agreements, the Subject Aircraft have been treated as being disposed of and derecognised as assets in the consolidated financial statements of Paliburg. Paliburg shall record receivable from the Lessee in the amount equivalent to the fair value of the Subject Aircraft on the date of the Agreements.

Earnings

Based on the total estimated fair value of the Subject Aircraft as at 7 November 2016 of approximately US\$10.08 million (equivalent to approximately HK\$78.62 million) as provided by the aircraft consultant (engaged by the Regal Group to manage its aircraft and aircraft leases) and the total estimated net book value of the Subject Aircraft as at the same date, and taking into consideration the estimated balance of maintenance reserves relating to the Leases to be released pursuant to the Lease

LETTER FROM THE PALIBURG BOARD

Amendment Agreements, a gain on disposal of the Subject Aircraft estimated to be amounting to approximately HK\$9.3 million, subject to adjustments primarily in relation to the balance of such maintenance reserves to be released, is expected to be recorded in the consolidated financial statements of Paliburg.

Following the Agreements, the Paliburg Group will no longer through the Regal Group record lease rental income from the Subject Aircraft. Instead, the aggregate lease payments of the Leases (as revised under the Agreements) for the period from 7 November 2016 (being the date of the Agreements) up to and including the Lease Expiry Date and the total Option Price in excess of the total estimated fair value of the Subject Aircraft, being approximately HK\$8.3 million, will be reported through the Regal Group as interest income in the consolidated financial statements of Paliburg over the period from the date of the Agreements to 31 December 2018. The proceeds from the revised lease payments of the Leases from the date of the Agreements up to and including the Lease Expiry Date and the total Option Price would be used as general working capital for the Regal Group.

REASONS FOR THE TRANSACTION

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.

The Regal Group (a subsidiary group of Paliburg) considers that the Transaction provides a good opportunity for the Regal Group to realise the value of the Subject Aircraft at terms considered to be fair and reasonable. Taking into account the terms of the Agreements and the estimated gain on disposal of the Subject Aircraft as stated under the paragraph headed “Financial effect of the Transaction” above, the Paliburg Directors consider that the Transaction is fair and reasonable and in the interests of the Paliburg Shareholders as a whole. Apart from the Subject Aircraft which were disposed of pursuant to the Agreements, the Regal Group owns another seven aircraft, six of which are generating rental income under operating leases and the remaining one is prepared for disposal.

LISTING RULES IMPLICATIONS

Based on the applicable percentage ratios, the Transaction constitutes a major transaction for Paliburg under the Listing Rules and is subject to the reporting, announcement and shareholders’ approval requirements under the Listing Rules.

Paliburg has obtained written shareholders’ approval for the Transaction 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 date of the Joint Announcement and 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 date of the Joint Announcement and 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

LETTER FROM THE PALIBURG BOARD

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 date of the Joint Announcement and the Latest Practicable Date. Accordingly, no shareholders' meeting of Paliburg will be convened for the purpose of approving the Transaction.

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

APPENDIX I FINANCIAL INFORMATION OF THE PALIBURG GROUP

INDEBTEDNESS

As at the close of business on 31 October 2016, being the latest practicable date for the purpose of this statement of indebtedness, the Paliburg Group had outstanding borrowings of approximately HK\$16,884.3 million which represented (i) bank loans of HK\$9,887.0 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, held-to-maturity investments, time deposits and bank balances, with an aggregate net book value of approximately HK\$20,006.9 million as at 30 June 2016, (ii) unsecured notes of US\$645.0 million (approximately HK\$5,002.0 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\$1,163.3 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\$57.0 million.

Apart from the indebtedness under the Regal REIT MTN Programme which was guaranteed by the trustee of Regal REIT (on behalf of Regal REIT) and except for a bank loan of HK\$18.7 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 October 2016, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance leases commitments, or any guarantees or other material contingent liabilities.

WORKING CAPITAL

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

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.

APPENDIX I FINANCIAL INFORMATION OF THE PALIBURG GROUP

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 Hong Kong 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.

As set out in the interim report of Regal for the six months ended 30 June 2016, based on the Half-yearly Economic Report 2016 released by the 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. Presale of the properties in the composite development projects in Tianjin as well as in Chengdu is underway. The Cosmopolitan Group is hopeful that substantial income and cash flows will be generated when these two major development projects currently undertaken by the Cosmopolitan Group are completed and sold.

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	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/ Other interests	
1. 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%)

APPENDIX II
GENERAL INFORMATION

Paliburg/Name of associated corporation	Name of Paliburg Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)	
			Personal interests	Corporate interests	Family/ Other interests		
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 (68.01%)	
	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	
		Ordinary (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 67.93% shareholding interests in Regal.
- (d) The interests in 269,169 issued ordinary shares of Regal were held by Miss LO Po Man as the beneficiary of a trust.
- (e) The interests in 2,731,316,716 issued shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. The interests in the other 386,540,000 issued shares of Cosmopolitan were held through wholly owned subsidiaries of Regal. Paliburg, in which Century City held 62.28% shareholding interests, held 67.93% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.
- (f) The interests in 5,024,058,784 unissued shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 67.93% shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.

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

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

The interests in 825,000,000 unissued shares of Cosmopolitan are derivative interests held through interests in convertible bonds issued by the CB Issuer, which are convertible into new shares of Cosmopolitan at a conversion price of HK\$0.40 per share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 425,000,000 unissued shares of Cosmopolitan are derivative interests held through interests in the possible subscription for convertible bonds (the “**Optional CB**”) to be issued by a wholly owned subsidiary of Cosmopolitan upon further partial exercise of the option granted pursuant to the subscription agreement dated 30 April 2014 (as supplemented) entered into between Cosmopolitan and P&R Holdings. The Optional CB, if subscribed for and issued, will be convertible into new shares of Cosmopolitan at a conversion price of HK\$0.40 per 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 67.93 % shareholding interests in Regal. Mr. Lo held 58.67% shareholding interests in Century City.
- (h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.67% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

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 Investments 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 a re-forestation project located in Xinjiang in the PRC. Based on the advice from the Cosmopolitan Group's legal counsel, the litigation claims were pending verification and/or the Cosmopolitan Group had good grounds of defence against 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. 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 satisfied by convertible bonds issued by a wholly-owned subsidiary of Cosmopolitan; and (iv) provision of non-competition undertaking by the Existing Owner for a period of ten years for a consideration of HK\$29,100,000 satisfied by convertible bonds issued by a wholly-owned subsidiary of Cosmopolitan.

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

7. MISCELLANEOUS

- (a) The registered office of Paliburg is at The Belvedere Building, 69 Pitts 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, 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.

8. 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 15 December 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 II;
- (c) Lease Amendment Agreements;
- (d) the Option Agreements;
- (e) the annual reports of Paliburg for the two years ended 31 December 2014 and 2015;
- (f) the circular dated 7 October 2016 issued by Paliburg in relation to the extension of terms of convertible bonds in Cosmopolitan; and
- (g) this circular.