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MAJOR TRANSACTION

**ENTERING INTO OF THE S&P AGREEMENT
INVOLVING DISPOSAL OF A 50% INTEREST IN
A HOTEL AND PROVISION OF FUNDING**

A letter from the board of directors of Paliburg Holdings Limited is set out on pages 6 to 16 of this circular.

26 January 2017

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DEFINITIONS

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

“Business Day”	a day (excluding Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“Capital Merit”	Capital Merit Investments Limited, a wholly-owned subsidiary of Paliburg
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms of the S&P Agreement which took place on the Completion Date
“Completion Accounts”	the consolidated statement of financial position of Prosper Harvest as at close of business on the Completion Date prepared in accordance with HKFRS and with adequate and full provision for the Construction Costs and tax in accordance with the prevailing regulations and assessing practice of the Inland Revenue Department of Hong Kong
“Completion Date”	30 December 2016
“Consideration”	HK\$150 million, subject to adjustment as set out in the S&P Agreement
“Construction Costs”	costs and expenses in connection with the construction of the Hotel and completion of the Fitting Out Works (including but not limited to all professional and consultancy fees and charges)
“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 120)
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Disposal”	the disposal of the Sale Share by P&R Holdings to the Purchaser pursuant to the terms of the S&P Agreement

DEFINITIONS

“Facility”	the HK\$580 million bank loans facility made available to Land Crown pursuant to the facility agreement dated 10 July 2014 between Land Crown and the relevant banks
“Fitting Out Works”	fitting of the Hotel (including the provision and installation of all fittings, furniture, equipment, appliances and other items) in accordance with the interior specifications set out in the S&P Agreement and in such manner and understanding that the Hotel will comply with the statutory requirements for the grant of the Hotel Licence and be ready and be in a state to commence operation as a hotel
“Funding”	the funding to be made available by P&R Holdings to the Prosper Harvest Group under the Shareholders Agreement including any guarantee for the New Loan of up to HK\$1,000 million and/or continued provision of any part of the Loan following Completion as set out in the paragraph headed “Funding” under the section headed “The Shareholders Agreement” in the Letter from the Paliburg Board in this circular
“Giant Sino”	Giant Sino Group Limited
“HKFRS”	the Hong Kong Financial Reporting Standards
“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
“Hotel”	a hotel developed and erected on the Land
“Hotel Licence”	the hotel licence to be issued by the Home Affairs Department in respect of the Hotel under the Hotel and Guesthouse Accommodation Ordinance (Chapter 349 of the Laws of Hong Kong)
“Joint Announcement”	the announcement dated 28 December 2016 jointly published by Century City, Paliburg and Regal in relation to, among other things, the S&P Agreement
“Land”	a parcel of land located in Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon
“Land Crown”	Land Crown International Limited, the direct wholly-owned subsidiary of Leading Brand and the sole legal and beneficial owner of the Land

DEFINITIONS

“Latest Practicable Date”	20 January 2017, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
“Leading Brand”	Leading Brand Holdings Limited, the direct wholly-owned subsidiary of Prosper Harvest
“Lease”	the lease agreement to be entered into between a company (as lessee) nominated by P&R Holdings and approved by the Purchaser and Land Crown (as landlord) in respect of the Hotel on or before the Settlement Date, the terms of which shall not be inferior to the salient terms set out in the S&P Agreement, including (a) the term of Lease being a period of five years commencing from the Settlement Date; and (b) the annual rentals not being less than (i) HK\$50 million in the 1st year; (ii) HK\$52.5 million in the 2nd year; (iii) HK\$55 million in the 3rd year; (iv) HK\$57.5 million in the 4th year; and (v) HK\$60 million for the 5th year
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the sum of HK\$1,000 million, being the aggregate of all loans made by P&R Holdings to Prosper Harvest and outstanding as at Completion
“Long Stop Date”	31 December 2017 or such other date as P&R Holdings and the Purchaser may agree in writing
“New Loan”	a new property loan from financial institution(s) to be arranged by P&R Holdings pursuant to the Shareholders Agreement, as further detailed in the paragraph headed “Funding” under the section headed “The Shareholders Agreement” in this circular
“NTAV”	the aggregate value (on a consolidated basis) of all tangible current assets of the Prosper Harvest Group which are readily convertible into cash or cash equivalents minus the aggregate value of all current liabilities and the provisions made by Land Crown and/or the Prosper Harvest Group for the Construction Costs, as at the Completion Date
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“Paliburg Board”	the board of Paliburg Directors

DEFINITIONS

“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
“Prosper Harvest”	Prosper Harvest Investments Limited, which was a wholly-owned subsidiary of P&R Holdings as at the date of the S&P Agreement and has become 50% owned by P&R Holdings following Completion
“Prosper Harvest Group”	Prosper Harvest and its subsidiaries
“Purchaser”	Dragon Pier Investments Limited, a wholly-owned subsidiary of Giant Sino, the purchaser of the Sale Share
“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 and RHIL as to 50% and 50% respectively
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal Group”	Regal and its subsidiaries
“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)
“RHIL”	Regal Hotels Investments Limited, a wholly-owned subsidiary of Regal
“Sale Share”	one ordinary share in the issued share capital of Prosper Harvest, representing a 50% equity interest therein
“Settlement Date”	the 14th Business Day after the issuance of the Hotel Licence or such other date as P&R Holdings and the Purchaser may agree in writing

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders Agreement”	the shareholders agreement to be entered into between P&R Holdings, the Purchaser and Prosper Harvest, the principal terms of which have been set out in the S&P Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&P Agreement”	the agreement dated 28 December 2016 entered into between P&R Holdings and the Purchaser in relation to the Disposal
“Transactions”	the transactions contemplated under the S&P Agreement (including the Shareholders Agreement under the principal terms set out in the S&P Agreement)
“Vigers”	Vigers Appraisal and Consulting Limited, the independent valuer in respect of the Hotel

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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of business in Hong Kong:*

11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

26 January 2017

To the Paliburg Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ENTERING INTO OF THE S&P AGREEMENT INVOLVING DISPOSAL OF A 50% INTEREST IN A HOTEL AND PROVISION OF FUNDING

As set out in the Joint Announcement, on 28 December 2016, P&R Holdings entered into the S&P Agreement (which contains the principal terms of the Shareholders Agreement) with the Purchaser in relation to the Disposal. P&R Holdings is a subsidiary of Paliburg. The Transactions (including the Disposal and the Funding) constitute a major transaction for Paliburg under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements. The Transactions 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 information in relation to the Transactions.

LETTER FROM THE PALIBURG BOARD

THE S&P AGREEMENT

On 28 December 2016, P&R Holdings and the Purchaser entered into the S&P Agreement pursuant to which P&R Holdings agreed to dispose of the Sale Share, representing a 50% equity interest in Prosper Harvest, to the Purchaser for a consideration of HK\$150 million (subject to adjustments). The principal asset of Prosper Harvest is its interest (through its wholly-owned subsidiaries, Leading Brand and Land Crown) in the Hotel. Further information on the Prosper Harvest Group and the Hotel is set out below under the section headed “Information on Prosper Harvest and the Hotel”.

The principal terms of the S&P Agreement are set out below:

- Date: 28 December 2016
- Parties:
1. P&R Holdings Limited (as seller)
 2. Dragon Pier Investments Limited (as purchaser)

As at the Latest Practicable Date, Paliburg held approximately 67.9% of the issued share capital of Regal. P&R Holdings is owned as to 50% by a wholly-owned subsidiary of Paliburg and 50% by a wholly-owned subsidiary of Regal. P&R Holdings is a subsidiary of Paliburg.

The Purchaser is an investment holding company which is wholly owned by Giant Sino. Giant Sino had previously been a controlling shareholder of Cosmopolitan and was still a shareholder of Cosmopolitan holding approximately 4.98% of the issued ordinary shares of Cosmopolitan as at the Latest Practicable Date. Mr. Daniel Bong Shu Yin, an executive director of Cosmopolitan (a listed subsidiary of Paliburg), holds 28% beneficial shareholding interests in Giant Sino. Having made all reasonable enquiries, save for the aforesaid interests, the Purchaser and its ultimate beneficial owners are third parties independent of Paliburg and its connected persons.

Subject asset: Pursuant to the S&P Agreement, P&R Holdings disposed of the Sale Share, representing 50% of the issued share capital of Prosper Harvest, to the Purchaser.

Upon completion of the Disposal which took place on the Completion Date, P&R Holdings' equity interest in Prosper Harvest reduced to 50% and Prosper Harvest ceased to be a subsidiary of P&R Holdings and Paliburg. The remaining interest in Prosper Harvest is intended to be retained by the P&R Group.

LETTER FROM THE PALIBURG BOARD

Seller's undertakings:

P&R Holdings undertakes and warrants with the Purchaser:

- (a) that a prepayment notice has been served on the relevant banks for the prepayment of all indebtedness owing under the Facility on or before 30 December 2016;
- (b) to procure the Fitting Out Works to be completed in an expeditious manner in accordance with the interior specifications set out in the S&P Agreement to ensure the Hotel is fit and ready for hotel operation and procure the Prosper Harvest Group to continue with its application for the Hotel Licence to ensure it is granted on or before the Long Stop Date;
- (c) that the Prosper Harvest Group has sufficient cash reserve to discharge and pay for in full the Construction Costs and adequate provisions for all outstanding Construction Costs have been made in the Completion Accounts and in the event that the Prosper Harvest Group does not have sufficient cash reserve to do so, P&R Holdings shall at its own costs and expenses and without recourse against the Prosper Harvest Group or the Purchaser pay for all such outstanding Construction Costs on behalf of the Prosper Harvest Group, and shall indemnify the Purchaser and the Prosper Harvest Group against any loss, claims or liabilities arising from non-payment thereof;
- (d) to top up the existing loan to Prosper Harvest to HK\$1,000 million on or before the Completion Date. Prosper Harvest shall on-lend such amount as shall be sufficient to pay off and discharge in full (i) all amounts owing by Land Crown to the relevant banks under the Facility before Completion; (ii) the Construction Costs; and (iii) all other liabilities of the Prosper Harvest Group (save and except for the Loan and any intra-group loans), to Leading Brand which shall in turn on-lend the same to Land Crown to enable Land Crown to obtain release of the charge and other encumbrances created on the Land as soon as possible after full repayment of the indebtedness owing under the Facility and pay the Construction Costs. The remaining balance of the aforesaid loan to Prosper Harvest shall be retained by the P&R Group; and
- (e) to procure the entering into of the Lease by a lessee approved by the Purchaser which shall commence on or before the Settlement Date.

As at the Latest Practicable Date, items (a) and (d) above had been fulfilled.

LETTER FROM THE PALIBURG BOARD

Based on the unaudited consolidated management accounts of Prosper Harvest as at the Completion Date, the Prosper Harvest Group's liabilities only comprised the Loan due to P&R Holdings and its assets primarily comprised the Hotel; all outstanding Construction Costs shall be fully assumed by P&R Holdings and provided for in the Completion Accounts.

Consideration: HK\$150 million, subject to the following adjustments (if any):

- (a) there shall be added an amount equal to 50% of the NTAV if the NTAV as determined by reference to the Completion Accounts is a positive figure; and
- (b) there shall be deducted an amount equal to 50% of the NTAV if the NTAV as determined by reference to the Completion Accounts is a negative figure.

The Consideration was determined after arm's-length negotiation between the parties taking into account the agreed value for the Hotel of HK\$1,300 million with reference to the valuation of the Hotel of HK\$1,360 million as at 21 December 2016 as appraised by Vigers, the location and specifications of the Hotel, and the market conditions regarding the hotel industry in Hong Kong, as well as the Loan outstanding on the Completion Date. The Paliburg Directors consider that the Consideration and its basis are fair and reasonable and in the interests of Paliburg and the Paliburg Shareholders as a whole.

The underlying assumptions and basis of the valuation of the Hotel are set out in the independent property valuation report on the Hotel in Appendix II to this circular.

Deposit and payment terms:

The Purchaser paid and shall pay P&R Holdings the Consideration as follows:

- (a) HK\$50 million has been paid by the Purchaser to P&R Holdings upon signing of the S&P Agreement as deposit (the "**Deposit**");
- (b) HK\$50 million has been paid by the Purchaser to P&R Holdings (the "**Further Payment**") upon Completion; and
- (c) the balance of the Consideration (subject to any adjustment as set out above) shall be paid on the Settlement Date.

LETTER FROM THE PALIBURG BOARD

Interest shall accrue on the Deposit and the Further Payment and payable by P&R Holdings to the Purchaser from the Completion Date to the Settlement Date, at the rate of (i) 2% per annum for the period to 30 June 2017; and (ii) 3% per annum for the period thereafter, as applicable, which amount shall be set off against the balance of the Consideration payable by the Purchaser on the Settlement Date.

Conditions precedent
and Completion:

Completion is subject to and conditional upon the following conditions precedent being fulfilled or waived (as applicable):

- (a) the Purchaser having completed its due diligence review and investigation on the Hotel and the Prosper Harvest Group including without limitation to its assets, liabilities, contracts, commitments, business, financial, legal and taxation aspects, and being satisfied with the results thereof; and
- (b) the indebtedness owing under the Facility having been fully repaid and discharged.

The Purchaser may in its absolute discretion at any time before Completion waive condition (a) above by notice in writing to P&R Holdings, and such waiver may be subject to such terms and conditions as agreed by the parties. P&R Holdings shall use its best endeavours to ensure that condition (b) above is fulfilled not later than the Completion Date.

All of the above conditions precedent had been fulfilled and Completion took place on the Completion Date on which the Further Payment was paid to P&R Holdings and the Sale Share was transferred to the Purchaser.

Seller's liabilities:

P&R Holdings shall not be liable for any potential profits tax liabilities arising from sale of the Hotel by Land Crown unless the sale occurs within seven years after Completion. For the avoidance of doubt, P&R Holdings shall not be liable for any potential profits tax liabilities that are attributable to the portion of the sale price over and above HK\$1,300 million and any additional tax liabilities which arise as a result of an increase in tax rate to over 16.5%.

The maximum liability of P&R Holdings (on an aggregated basis) for all claims under the S&P Agreement (including those arising from the aforesaid tax liabilities and the Lease) shall not exceed the amount of the Consideration received and receivable by P&R Holdings.

LETTER FROM THE PALIBURG BOARD

The Shareholders Agreement

Pursuant to the S&P Agreement, P&R Holdings and the Purchaser agree to use their respective best endeavours to negotiate with a view to entering into the Shareholders Agreement (the principal terms of which are set out in the S&P Agreement) within one month from the Completion Date, failing which the parties agree that the principal terms of the Shareholders Agreement as set out in the S&P Agreement would continue to be binding on them for the purposes of regulating their relationship and providing the basis on which the Prosper Harvest Group shall be operated, managed and administered from the Completion Date. The major terms of the Shareholders Agreement are set out below:

Shareholders and shareholding percentage:	<ol style="list-style-type: none">1. P&R Holdings — 50%2. The Purchaser — 50%
Board composition:	Each of P&R Holdings and the Purchaser shall have the right to appoint an equal number of directors on the board of each member of the Prosper Harvest Group and to remove or substitute any of them.
Quorum for board meetings:	<p>2 directors, comprising at least 1 director nominated by each shareholder.</p> <p>Any director(s) present at any adjourned meeting shall constitute a valid quorum.</p>
Voting:	Save for the matters set out below under the section headed “Matters requiring unanimous vote”, resolutions proposed at any general meeting of Prosper Harvest shall be passed by a simple majority of votes.
Matters requiring unanimous vote:	<p>The following shall not be undertaken by any member of the Prosper Harvest Group without the prior unanimous written consent of all shareholders:</p> <ol style="list-style-type: none">(i) any alteration or reconstitution of its share capital or rights attached thereto, or entering into any arrangement with its creditors;(ii) any creation or issue of other class of shares, warrants or loan stocks or giving of option in respect of any class of shares, warrants or loan stocks;(iii) creation of any charge or encumbrance on any assets of any member of the Prosper Harvest Group other than for the purpose of securing the New Loan;(iv) disposal of any interest in its subsidiaries or substantial assets of the Prosper Harvest Group;

LETTER FROM THE PALIBURG BOARD

- (v) entering into any new business not related to the existing business of the Prosper Harvest Group or cessation of any existing business;
- (vi) incurring any material expenditure or liability of a capital nature;
- (vii) altering the articles of association of any member of the Prosper Harvest Group or passing a resolution that it be wound up;
- (viii) entering into any joint venture, partnership, long term or abnormal contract or capital commitment;
- (ix) giving any guarantee, indemnity or security in respect of the obligations of any third party; and
- (x) entering into the Lease.

Funding:

- (i) P&R Holdings shall use its reasonable endeavours to arrange the New Loan from financial institution(s) for Land Crown for the purpose of refinancing the Loan on or before the Settlement Date.

The New Loan shall be on normal commercial terms for similar financing transactions in Hong Kong with a tenor of not less than 3 years and for a principal amount of not less than HK\$1,000 million. The New Loan will be secured on the Hotel and related assets and the direct and/or indirect equity interests held by the shareholders in Land Crown but otherwise without recourse to the Purchaser. If the lender(s) of the New Loan require(s) guarantee from the shareholders of Prosper Harvest, P&R Holdings shall procure guarantor(s) acceptable to the lender(s) to provide, in addition to the guarantee for the 50% interest it holds in Land Crown, guarantee in respect of the 50% interest held by the Purchaser in Land Crown at no cost to the Purchaser. Pursuant to the aforesaid, if required, P&R Holdings will provide guarantee in respect of the New Loan. In respect of the financial obligation of P&R Holdings under the New Loan, Paliburg and Regal will (if required) provide the corresponding financial assistance to P&R Holdings under the financial assistance totalling HK\$1,800 million agreed to be provided by the Paliburg Group and the Regal Group to the P&R Group on 28 December 2016, details of which were set out in the Joint Announcement.

LETTER FROM THE PALIBURG BOARD

- (ii) If the proceeds of the New Loan shall not be sufficient to pay off and discharge in full the Loan, P&R Holdings shall continue to make available to Prosper Harvest the balance of the Loan but shall be entitled to charge interest on the Loan from the Settlement Date to the actual repayment date (1) at the rate which is the aggregate of the Hong Kong Interbank Offered Rate and 1.8% per annum for the first HK\$650 million of the Loan (the “**First Tranche Loan**”); and (2) at the fixed rate of 4% per annum for the remaining HK\$350 million of the Loan (the “**Second Tranche Loan**”), to the extent not refinanced by the New Loan; the aggregate interest under (1) and (2) above shall be subject to a maximum amount of HK\$36.5 million per annum. The Loan shall be subordinated to the New Loan but otherwise rank in priority to the equity interest of the beneficial shareholder(s) of the Prosper Harvest Group.
- (iii) The proceeds of the New Loan shall first be applied towards repayment of the First Tranche Loan with any excess applied towards repayment of the Second Tranche Loan.
- (iv) If the all-in interest margin (comprising the amortised upfront fees and the interest spread over the Hong Kong Interbank Offered Rate) payable on the New Loan during its tenor shall be higher than 1.8% per annum, P&R Holdings shall pay to the Purchaser 50% of any increased interest costs in respect of the New Loan up to HK\$650 million subject to a maximum amount of HK\$6 million per annum.

Should P&R Holdings provide guarantee under (i) above exceeding HK\$1,000 million, Paliburg will re-comply with the Listing Rules as appropriate.

INFORMATION ON PROSPER HARVEST AND THE HOTEL

Prosper Harvest is the sole legal and beneficial owner of Leading Brand which in turn holds the entire issued share capital of Land Crown. Land Crown is the sole legal and beneficial owner of the Land, on which the Hotel is developed and erected. The Prosper Harvest Group is engaged in the investment and development of the Hotel, the key specifications of which are as follows:

Location:	Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon
No. of guestrooms:	340

LETTER FROM THE PALIBURG BOARD

No. of storeys:	22 storeys (including basement and ground floor)
Gross floor area:	Approximately 6,298 square metres
Covered floor area:	Approximately 9,490 square metres

Development of the Hotel commenced in 2013. The occupation permit for the Hotel was issued by the Building Authority on 23 November 2016. Fitting Out Works are underway, and are expected to be completed in or around March 2017. The Hotel Licence has been applied for but not yet granted.

For the years ended 31 December 2014 and 2015, Prosper Harvest recorded consolidated net loss (both before and after tax) of approximately HK\$84,000 and HK\$63,000 respectively. As at 30 June 2016, Prosper Harvest had consolidated net liabilities of approximately HK\$998,000 which is based on the book carrying value of the Hotel. Based on the preliminary unaudited consolidated management accounts of Prosper Harvest as at the Completion Date, the Prosper Harvest Group's liabilities only comprised the Loan and its assets primarily comprised the Hotel at its book carrying value, resulting in Prosper Harvest's consolidated net liabilities amounting to approximately HK\$137 million on the Completion Date. The Consideration would represent a surplus of approximately HK\$219 million over 50% of such consolidated net liabilities of Prosper Harvest. The Hotel was valued by Vigers at HK\$1,360 million as at 21 December 2016. On the basis of such valuation of the Hotel and the Loan of HK\$1,000 million, the Prosper Harvest Group would have consolidated net assets of HK\$360 million. The Consideration would represent a deficit of approximately HK\$30 million to 50% of such consolidated net assets.

FINANCIAL EFFECT OF THE TRANSACTIONS

Assets and liabilities

Before Completion, Prosper Harvest was a wholly-owned subsidiary of P&R Holdings and a subsidiary of Paliburg. Pursuant to the Disposal, P&R Holdings disposed of a 50% equity interest in Prosper Harvest, and Prosper Harvest ceased to be a subsidiary of P&R Holdings and Paliburg upon Completion. Accordingly, the assets and liabilities of the Prosper Harvest Group are derecognised in the consolidated financial statements of Paliburg. Upon Completion, the remaining 50% equity interest in the Prosper Harvest Group is accounted for as a joint venture by the Paliburg Group using the equity method of accounting.

Earnings

As stated above, upon Completion, Prosper Harvest ceased to be a subsidiary of P&R Holdings and Paliburg and as such the profit and loss accounts of the Prosper Harvest Group is no longer consolidated into the consolidated financial statements of Paliburg on a line-by-line basis but is instead accounted for as a joint venture by the Paliburg Group using the equity method of accounting. Based on an agreed value of HK\$1,300 million for the Hotel and its estimated carrying amount of approximately HK\$900 million at the Paliburg Group level, a total gain of approximately HK\$400

LETTER FROM THE PALIBURG BOARD

million (before non-controlling interests), including a gain on the remeasurement of the carrying amount of the remaining interest in Prosper Harvest held by P&R Holdings, is expected to be recorded in the consolidated financial statements of Paliburg upon Completion. The actual gain will be subject to audit and will also depend on the final amount of the Construction Costs to be ascertained.

The Paliburg Group intends to utilise the proceeds from the Disposal for general working capital.

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.

P&R Holdings is a 50-50 owned joint venture of Paliburg and Regal and a subsidiary of 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.

The occupation permit for the Hotel has been issued by the Building Authority and the Fitting Out Works are currently underway and are expected to be completed in or around March 2017. The Paliburg Directors consider that the S&P Agreement (including the principal terms of the Shareholders Agreement set out therein) provides an opportunity for P&R Holdings to realise part of the value of the Hotel on terms which are considered to be fair and reasonable. The Loan remained outstanding upon Completion. Pursuant to the Shareholders Agreement, P&R Holdings agreed to provide the necessary shareholder guarantee for the entire amount of the New Loan in respect of both P&R Holdings' and the Purchaser's equity interests in Prosper Harvest to facilitate the refinance of the Loan by the New Loan to be provided by financial institution(s) following Completion. Given P&R Holdings' continuous substantial equity interest of 50% in Prosper Harvest, the Paliburg Directors consider it fair and reasonable for P&R Holdings to provide the guarantee for the refinance of the Loan following Completion in order to facilitate the Disposal at terms which are considered to be fair and reasonable having regard to the factors below.

Taking into account factors including the basis of determination of the Consideration, the expected gain arising from the Disposal and the principal terms of the Shareholders Agreement, the Paliburg Directors consider that the terms of the S&P Agreement (including the principal terms of the Shareholders Agreement as set out therein) are fair and reasonable and in the interests of the Paliburg Shareholders as a whole.

LETTER FROM THE PALIBURG BOARD

LISTING RULES IMPLICATIONS

Based on the applicable percentage ratios, the Transactions (including the Disposal and the Funding which is a provision of financial assistance by P&R Holdings to the Prosper Harvest Group subject to the requirements under Chapter 14 of the Listing Rules) constitute a major transaction for Paliburg under Chapter 14 of 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 Transactions 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 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 Transactions.

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 December 2016, being the latest practicable date for the purpose of this statement of indebtedness, the Paliburg Group had outstanding borrowings of approximately HK\$16,611.7 million which represented (i) bank loans of approximately HK\$9,638.5 million secured by certain of the 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\$19,278.6 million as at 30 June 2016, (ii) unsecured notes of US\$642.0 million (approximately HK\$4,978.1 million) issued under a US\$1,000.0 million medium term note programme of Regal, (iii) unsecured notes of HK\$775.0 million and US\$150.0 million (approximately HK\$1,163.1 million) issued under a US\$1,000.0 million medium term note programme of Regal REIT (the "**Regal REIT MTN Programme**") and (iv) outstanding convertible bonds of Cosmopolitan in the principal amount of approximately HK\$57.0 million.

Apart from the indebtedness under the Regal REIT MTN Programme which was guaranteed by the trustee of Regal REIT (on behalf of Regal REIT) and except for a bank loan of approximately HK\$18.0 million, all of the above outstanding borrowings of the 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 December 2016, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance leases commitments, or any guarantees or other material contingent liabilities.

WORKING CAPITAL

The 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 market 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 project at Anchor Street/Fuk Tsun Street in Tai Kok Tsui, the shopping mall development project at Po Tai Street in Ma On Shan and the upscale residential project in Kau To, Sha Tin. These projects are anticipated to generate substantial cash flows and profit contributions to the Paliburg Group when they are completed and sold, while the shopping mall project in Ma On Shan is presently intended to be retained to boost the recurrent income.

The Paliburg Group will continue to actively participate in the 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 business in Hong Kong will remain favourable. The REIT Manager will continue to closely monitor any appropriate investment opportunities that may become available, with a view to further expanding and broadening the asset and income base of Regal REIT. Nevertheless, having regard to the volatile economic environment globally, any such acquisitions will be pursued with particular prudence.

As set out in the interim report of Regal for the six months ended 30 June 2016, based on the Half-yearly Economic Report 2016 released by the 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 continue to be generated when these two major development projects currently undertaken by the Cosmopolitan Group are being completed and sold.

APPENDIX II INDEPENDENT PROPERTY VALUER'S REPORT ON THE HOTEL

The following is the text of the Independent Property Valuation Report received from Vigers, prepared for the purpose of inclusion in this circular, in connection with the valuation of the Hotel on an as-completed basis as at 21 December 2016.



Paliburg Holdings Limited

11/F, 68 Yee Wo Street,
Causeway Bay,
Hong Kong

Vigers Appraisal and Consulting Limited

General Practice Sector

Phone Number: +852 2342-2000

Facsimile: +852 2840-0614

E-mail: GP@Vigers.com

Website: www.Vigers.com

10/F, The Grande Building,
398 Kwun Tong Road,
Kowloon, Hong Kong

26 January 2017

Dear Sir / Madam,

RE: NOS. 8, 8A, 10, 10A, 12 AND 12A HA HEUNG ROAD, SECTION C OF KOWLOON INLAND LOT NO. 4148, TO KWA WAN, KOWLOON, HONG KONG (THE "PROPERTY")

We refer to the recent instruction from "Paliburg Holdings Limited" (the "Client") for us to assess the unencumbered property interest of "Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, Section C of Kowloon Inland Lot No. 4148, To Kwa Wan, Kowloon, Hong Kong" (the "Property") on a market value basis subject to an assumption that the fitting out works (including the provision and installation of all fittings, furniture, equipment, appliances and other items) of the Property have been completed and the Property is physically fit and ready for hotel operation with a valid hotel licence based on the value that is current as at 21 December 2016 (the "Date of Valuation") for the purpose of incorporation in the circular of the Client dated 26 January 2017. We confirm that we have inspected the Property externally, conducted land registration record(s) at the Land Registry, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing with our opinion of value of the Property as at the Date of Valuation.

Our valuation is our opinion of market value of the Property which is defined as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between

APPENDIX II INDEPENDENT PROPERTY VALUER'S REPORT ON THE HOTEL

a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". Our valuation has been prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" published by "The Hong Kong Institute of Surveyors" ("HKIS"), "RICS Valuation — Professional Standards (January 2014)" published by the "Royal Institution of Chartered Surveyors" ("RICS"), and relevant chapters in the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board)" published by "The Stock Exchange of Hong Kong Limited".

Market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Unless otherwise stated, our valuation has been made on the assumption that the Property could be sold in the prevailing market without the benefit of any deferred term contract, joint venture, or any other similar arrangement which may serve to affect the value of the Property. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Property.

We have been advised by the Client that the Occupation Permit for the Property was issued by the Building Authority on 23 November 2016; and the fitting out works are currently underway and are expected to be completed in or around March 2017; while hotel licence for the Property has been applied but not yet granted and the Property is to be sold on a "turn-key" basis. Therefore we have been requested by the Client to assess the market value of the Property on an assumption that the Property is physically fit and ready for hotel operation with a valid hotel licence without considering the development costs to be incurred.

In the course of our valuation, we have adopted income approach using discounted cash flow analysis as well as market approach using comparison method of valuation to arrive at our opinion of value of the Property. As defined in the "International Valuation Standards" published by the "International Valuation Standards Council" ("IVSC"), income approach "provides an indication of value by converting future cash flows to a single current capital value"; whilst market approach "provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available". In the income approach the components of cash inflow and cash outflow are related to the future operation of the property. Having regard to the potential, legal permissibility and financial permissibility of the Property, the use of hotel is considered as the highest and best use; and hence no consideration has been taken into account of alternative use or development options; nor have we considered any redevelopment potential of the Property.

The discounted cash flow analysis adopted in our valuation is a financial modelling technique based on explicit assumptions regarding the prospective income and expenses of the Property for hotel operation with regard to market participants' viewpoints, which is an accepted method within the income approach to valuation. Our discounted cash flow analysis for the Property is established based on analysis of historical data in the industry and on assumptions about future market conditions

APPENDIX II INDEPENDENT PROPERTY VALUER'S REPORT ON THE HOTEL

affecting supply, demand, income, expenses and the potential for risk. These assumptions determine the earning capability of the Property upon which the pattern of income and expenditures are projected to establish a fair maintainable operating profits on a yearly pre-tax basis by a reasonably efficient operator over a 10-year investment horizon; and the anticipated net operating income stream receivable thereafter is capitalised at appropriate terminal capitalisation rate and adjusted to present value by a discount rate to reflect the capital value beyond the years. Due consideration has been given to the expectation of the renewal of the land lease upon expiry. The discount rate adopted in our discounted cash flow analysis theoretically reflects the rate of return that adequately compensate the investors for the risks taken, because the discount rate reflects not only the time value of money but also the risks associated with the type of cash flow and the future operation of the Property. In our discounted cash flow analysis, we have applied nominal cash flow which includes expectations regarding inflation; and hence the discount rate adopted has taken the inflation rates into account.

In the course of valuation, we have also considered comparison method of valuation whereby comparisons on a per unit room basis on actual sales transactions and offering of comparable properties have been made. Comparable properties with similar character, location and so on are analysed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at a fair comparison of value.

We consider that the income approach is more applicable for the valuation of the Property as at the Date of Valuation; and the valuation result is cross-checked by market approach on a per room basis.

No responsibility is assumed for any legal matters concerning the legal title(s) to the Property set out in this report. We have conducted land registration record(s) at the Land Registry but we have not inspected the original document(s) to ascertain ownership nor to verify any lease amendment(s) which may not appear on the copy(ies) handed to us. In the course of our valuation, we have relied to a considerable extent on the information made available to us and we have accepted advice on such matters as planning approval(s) or statutory notice(s), easement(s), land tenure(s), occupancy status, site and floor areas, forecast operating performance of the Property as well as all other relevant matters. Unless otherwise stated, no on-site measurement has been made. All information and document(s) provided to us have been used for reference purpose and all dimension(s), measurement(s) and area(s) are therefore approximation(s). Unless otherwise stated, floor area measurements are carried out in accordance with the "Code of Measuring Practice (1st Edition March 1999)" and the "Supplement(s) to the Code of Measuring Practice" published by the HKIS.

In the course of our valuation, we have assumed that the owner has free and uninterrupted rights to use and assign the Property subject to payment of usual Government Rent(s) unless otherwise noted or specified. We have assumed that all applicable zoning(s), use(s), regulation(s) and restriction(s) have been complied with unless non-conformity has been stated, defined and considered in this report. We have further assumed that utilisation of land and improvements are situated within the boundaries of the property held by or permitted to be occupied by the owner of the Property. No encroachment or trespass has been considered unless otherwise noted in this report.

An external on-site inspection to the Property was carried out by **Sr Franky C. H. WONG** MSc(RealEst) MCIM MRICS MHKIS RPS(GP) RICS Registered Valuer on 3 January 2017. The fitting

APPENDIX II INDEPENDENT PROPERTY VALUER'S REPORT ON THE HOTEL

out works of the Property were underway as at the date of inspection, and both the external and internal condition of the Property is assumed to be finished and kept in good clean tenable condition and repair comparable to other similar hotel developments of similar grading in Hong Kong. Building services such as water supply, electricity and air-conditioning system will be available in the Property upon completion. We must stress that, however, neither structural survey nor test on any services was made. We are therefore unable to report as to whether the Property is free from rot, infestation or other structural or non-structural defect. We had carried out on-site inspection to the Property but no soil investigation has been carried out to determine the suitability of ground conditions or services for any property development erected or to be erected on the Property. Our valuation has been carried out on the assumption that these aspects are satisfactory. We have also assumed that all necessary consent(s), approval(s) and licence(s) from relevant government authorities have been or will be granted without onerous conditions or delay.

Our valuation of the Property is the value estimated without regard to costs of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Property has/have been disregarded. We have not been provided with proper legal opinion regarding ownership of the Property and we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the value of the Property.

We hereby confirm that:

- (1) we have no present or prospective interest in the Property and are not a related corporation nor having a relationship with the Client;
- (2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of Property;
- (3) our valuation has been prepared on a fair and unbiased basis; and our compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the vendor or purchaser, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

Unless otherwise stated, all monetary amounts stated herein are denoted in Hong Kong Dollars ("HK\$"), the lawful currency of Hong Kong Special Administrative Region ("Hong Kong"); and the conversion factors adopted are 1.00 square metre ("sq.m.") to 10.7639 square feet ("sq.ft.") for area measurement, and 1.00 metre ("m.") to 3.2808 feet ("ft.") for length measurement.

APPENDIX II INDEPENDENT PROPERTY VALUER'S REPORT ON THE HOTEL

We enclose herewith the core content of our valuation report.

Yours faithfully,
For and on behalf of

VIGERS APPRAISAL AND CONSULTING LIMITED

Sr David W. I. CHEUNG
MRICS MHKIS RPS(GP) CREA
RICS Registered Valuer
Executive Director

Sr Franky C. H. WONG
MSc(RealEst) MCIM MRICS MHKIS RPS(GP)
RICS Registered Valuer
Director

Note: **Sr David W. I. CHEUNG** is a “Registered Professional Surveyor in General Practice Division” (“RPS(GP)”) under the “Surveyors Registration Ordinance” (Cap. 417) in Hong Kong; and is a “RICS Registered Valuer” under the “Valuer Registration Scheme” regulated by the RICS with over 34 years’ valuation experience on properties in various regions including Hong Kong, Macao, the People’s Republic of China (“PRC”), Taiwan, Japan, the United Kingdom (“UK”), Canada and the United States of America (“USA”). Sr CHEUNG has been vetted on the “List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers” published by the HKIS, and is suitably qualified for undertaking valuations relating to listing exercises. Sr CHEUNG has been employed by “Vigers Appraisal and Consulting Limited” as a qualified surveyor since 2006.

Graduated from The University of Hong Kong with a Master of Science in Real Estate, **Sr Franky C. H. WONG** is a “Registered Professional Surveyor in General Practice Division” (“RPS(GP)”) under the “Surveyors Registration Ordinance” (Cap. 417) in Hong Kong, and is a “RICS Registered Valuer” under the “Valuer Registration Scheme” regulated by the RICS with over 16 years’ valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, UK and the USA. Sr WONG has been vetted on the “List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers” published by the HKIS and “List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers” published by RICS Hong Kong, and is suitably qualified for undertaking valuations relating to listing exercises. Sr WONG has been employed by “Vigers Appraisal and Consulting Limited” as a valuer since 2006 and as a qualified surveyor since 2009.

APPENDIX II INDEPENDENT PROPERTY VALUER'S REPORT ON THE HOTEL

VALUATION CERTIFICATE

Property held for investment purpose.

Property	Description and Tenure	Occupancy Status	Market Value (on an as-completed basis) as at the Date of Valuation
Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, Section C of Kowloon Inland Lot No. 4148, To Kwa Wan, Kowloon, Hong Kong	<p>Newly completed in 2016, the Property comprises a 22-storey (including basement and ground floor) hotel building accommodating a total of 340 guestrooms with ancillary facilities such as podium garden and basement carpark provided therein after finishing all fitting out works.</p> <p>The Property has a site area of about 699.83 sq.m. (7,533 sq.ft.); and a gross floor area of about 6,298.06 sq.m. (67,792 sq.ft.) excluding lift shaft of about 158.11 sq.m. (1,702 sq.ft.), back-of-house of about 314.89 sq.m. (3,389 sq.ft.), communal podium garden of about 232.56 sq.m. (2,503 sq.ft.) as well as carpark and mechanical & electrical area of about 2,054.68 sq.m. (22,116 sq.ft.).</p> <p>Kowloon Inland Lot No. 4148 is held under Government Lease for a lease term of 75 years from 26 June 1939 renewed for a further term of 75 years with Government Rent payable of HK\$145,198 per annum.</p>	As inspected and advised by the Client, the fitting out works of the Property were underway as at the date of inspection; and the fitting out works are expected to be completed in or around March 2017.	HK\$1,360,000,000 (HONG KONG DOLLARS ONE BILLION THREE HUNDRED SIXTY MILLION ONLY)

Notes:

1. According to the recent land registration records, the current registered owner of the Property is "LAND CROWN INTERNATIONAL LIMITED".
2. Pursuant to the recent land registration record, the Property is subject to a debenture and mortgage in favour of "HANG SENG BANK LIMITED" vide Memorial No. 14080702080186 dated 11 July 2014. As advised by the Client, the charge created over the Property would be released after full repayment of the indebtedness under the relevant facility on 30 December 2016.
3. The Property lies on an area zoned "Residential (Group A)" under the Approved Ma Tau Kok Outline Zoning Plan (No. S/K10/22) gazetted on 15 April 2016; and the use of "hotel" may be permitted with or without conditions on application to the Town Planning Board ("TPB"). Pursuant to an Application for Planning Permission (Case No.: A/K10/245), the applied use of "Proposed Hotel" was approved by the TPB on 16 August 2013 subject to the following conditions:
 - (1) the proposed development was subject to the maximum site coverage as proposed in the application;
 - (2) the provision of fire service installations and water supplies for fire-fighting to the satisfaction of the Director of Fire Services or of the TPB;
 - (3) the submission of the public sewer upgrading works proposal to the satisfaction of the Director of Drainage Services or of the TPB;

APPENDIX II INDEPENDENT PROPERTY VALUER'S REPORT ON THE HOTEL

- (4) the implementation of the approved sewer upgrading works proposal and the associated temporary sewer diversion to the satisfaction of the Director of Drainage Services or of the TPB; and
 - (5) the submission and implementation of a landscape proposal to the satisfaction of the Director of Planning or of the TPB.
4. The Property is located on southeast side of Ha Heung Road at its junction with Lai Wa Street in To Kwa Wan district where is a developed mixed user area with developments mainly in the form of medium-rise tenements. Several re-development projects and renovation of existing buildings are in progress in the area.
5. As confirmed by the Client, there is no breach of environmental regulations; and there is no investigations, notices, pending litigation, breaches of law or title defects as against the Property. In addition, there is no plan to change the use of the Property.
6. Our market value of the Property as shown above is carried out on the assumption that all outstanding fitting out cost has been fully settled as at the Date of Valuation.
7. Our valuation is made on the basis that the Property is not subject to mortgage or any other material encumbrances.
8. As advised by the Client, an Occupation Permit No. KN52/2016(OP) for the Property was issued by the Building Authority on 23 November 2016 for hotel, carpark and ancillary accommodation uses.
9. In our valuation, we have adopted income approach using discounted cash flow analysis based on the hotel operation of the Property and have cross-checked by market approach. As advised by the Client, the relevant transaction is on the basis that the vendor shall procure the Property to be leased out on a 5-year term after the hotel licence is granted.

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 <i>(Note b)</i>	15,000	830,953,817 (74.55%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
	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%)

- (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 1,250,000,000 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).

- (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 or 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\$10.9 million) relating to a re-forestation project located in Xinjiang in the PRC. Based on the advice from the Cosmopolitan Group's legal counsel, the litigation claims were pending verification and/or the Cosmopolitan Group had good grounds of defence against 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. QUALIFICATION AND CONSENT OF EXPERT

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
Vigers	Independent property valuer

Vigers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which they appear. The valuation report on the Hotel is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Vigers did not have any interest in the share capital of 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, and Vigers had no interest, either directly or indirectly, in any assets which have been, since 31 December 2015, the date to which the latest published audited financial statements of the Paliburg Group were made up, acquired or disposed of by or leased to 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 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.

8. 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.

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 9 February 2017 during normal business hours:

- (a) the memorandum of association and bye-laws of Paliburg;
- (b) the annual reports of Paliburg for the two years ended 31 December 2014 and 2015;
- (c) the S&P Agreement;
- (d) the valuation report on the Hotel, the text of which is set out in Appendix II to this circular;
- (e) the written consent of Vigers referred to in the section headed "Qualification and consent of expert" of this Appendix III;
- (f) the material contract referred to in the section headed "Material contracts" of this Appendix III;

- (g) the circular dated 7 October 2016 issued by Paliburg in relation to the extension of terms of convertible bonds in Cosmopolitan;
- (h) the circular dated 1 December 2016 issued by Paliburg in relation to lease amendment agreements and option agreements in respect of six aircraft of the Regal Group; and
- (i) this circular.