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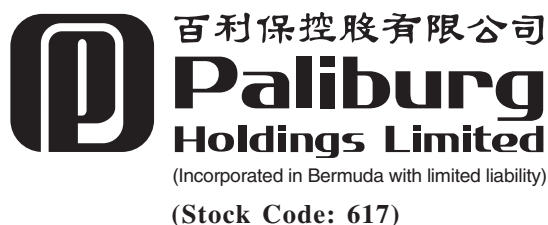
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**If you have sold or transferred** all your shares in **Paliburg Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other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

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**MAJOR TRANSACTION**

**(I) PROPOSED SUBSCRIPTION OF COSMOPOLITAN  
OPEN OFFER SHARES AND/OR COSMOPOLITAN CONVERTIBLE  
PREFERENCE SHARES UNDER COSMOPOLITAN OPEN OFFER**

**AND**

**(II) PROPOSED SUBSCRIPTION OF COSMOPOLITAN CONVERTIBLE  
BONDS AND POSSIBLE SUBSCRIPTION OF COSMOPOLITAN  
OPTIONAL CONVERTIBLE BONDS**

**Financial adviser to**

**Paliburg Holdings Limited**



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A letter from the board of directors of Paliburg Holdings Limited is set out on pages 7 to 13 of this circular.

25 June 2014

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange (stock code: 355)
“Century City Group”	Century City and its subsidiaries and, for the purpose of this circular, excluding the Paliburg Group, the Regal Group, the P&R Group and the Cosmopolitan Group
“Companies Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands, the ordinary shares of which are listed on the Stock Exchange (stock code: 120)
“Cosmopolitan Application Forms”	the application forms which will accompany the Cosmopolitan Prospectus for use in connection with the Cosmopolitan Open Offer
“Cosmopolitan Articles of Association”	the articles of association of Cosmopolitan
“Cosmopolitan Board”	the board of Cosmopolitan Directors
“Cosmopolitan CB Conversion Price”	the price at which each Cosmopolitan Conversion Share will be issued upon conversion of the relevant Cosmopolitan Convertible Bonds
“Cosmopolitan Consolidated Share(s)”	the ordinary share(s) of HK\$0.002 each in the share capital of Cosmopolitan upon the Cosmopolitan Share Consolidation becoming effective
“Cosmopolitan Conversion Prices”	the Cosmopolitan CB Conversion Price and the Cosmopolitan Optional CB Conversion Price
“Cosmopolitan Conversion Shares”	the new Cosmopolitan Consolidated Shares to be issued upon exercise of the conversion rights under the Cosmopolitan Convertible Bonds

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## DEFINITIONS

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“Cosmopolitan Converted Shares”	the new Cosmopolitan Consolidated Shares to be issued upon exercise of the conversion rights under the Cosmopolitan Convertible Preference Shares
“Cosmopolitan Convertible Bonds”	the convertible bonds of Cosmopolitan with a principal amount of HK\$500 million to be issued pursuant to the Cosmopolitan Convertible Bonds Subscription Agreement
“Cosmopolitan Convertible Bonds Subscription Agreement”	the subscription agreement dated 30 April 2014 (as supplemented by a supplemental agreement dated 19 June 2014) entered into between Cosmopolitan and P&R in respect of the subscription of the Cosmopolitan Convertible Bonds and the possible subscription of the Cosmopolitan Optional Convertible Bonds
“Cosmopolitan Convertible Preference Shares”	the convertible preference shares of Cosmopolitan, principal terms of which are set out in the paragraph headed “Summary of the principal terms of the Cosmopolitan Convertible Preference Shares” in Appendix I to this circular, to be issued under the Cosmopolitan Open Offer
“Cosmopolitan Director(s)”	the director(s) of Cosmopolitan
“Cosmopolitan EGM”	the extraordinary general meeting of Cosmopolitan convened to be held to consider and, if thought fit, approve, among other things, the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Cosmopolitan Open Offer”	the invitation to the Cosmopolitan Qualifying Shareholders to subscribe for the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares at the Cosmopolitan Subscription Price on the terms and subject to the conditions set out or referred to in the Cosmopolitan Open Offer Documents, material terms of which are set out in Appendix I to this circular
“Cosmopolitan Open Offer Documents”	the Cosmopolitan Prospectus and the Cosmopolitan Application Forms
“Cosmopolitan Open Offer Entitlement(s)”	an entitlement to subscribe for Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares allocated to a Cosmopolitan Qualifying Shareholder pursuant to the Cosmopolitan Open Offer, as summarised in Appendix I to this circular

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## DEFINITIONS

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“Cosmopolitan Open Offer Share(s)”	new Cosmopolitan Consolidated Share(s) to be issued and allotted under the Cosmopolitan Open Offer
“Cosmopolitan Optional CB Conversion Price”	the price at which each Cosmopolitan Optional Conversion Share will be issued upon conversion of the relevant Cosmopolitan Optional Convertible Bonds
“Cosmopolitan Optional Conversion Shares”	the new Cosmopolitan Consolidated Shares to be issued upon exercise of the conversion rights under the Cosmopolitan Optional Convertible Bonds
“Cosmopolitan Optional Convertible Bonds”	the convertible bonds of Cosmopolitan with a principal amount of up to HK\$500 million to be issued pursuant to the Cosmopolitan Convertible Bonds Subscription Agreement
“Cosmopolitan Overseas Shareholder(s)”	the Cosmopolitan Shareholder(s) whose name(s) appear on the register of members of Cosmopolitan at the close of business on the Cosmopolitan Record Date and whose address(es) as shown on such register are in place(s) outside Hong Kong or at that time who are otherwise known by Cosmopolitan to be resident(s) outside Hong Kong
“Cosmopolitan Prospectus”	the prospectus to be issued by Cosmopolitan to the Cosmopolitan Shareholders containing details of the Cosmopolitan Open Offer
“Cosmopolitan Prospectus Posting Date”	the date on which the Cosmopolitan Open Offer Documents shall be issued and despatched to the Cosmopolitan Shareholders, currently being scheduled on Thursday, 24 July 2014, according to the expected timetable of the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer (or such other date as Cosmopolitan and the Underwriter may agree in writing)
“Cosmopolitan Qualifying Shareholders”	the Cosmopolitan Shareholders, other than the Excluded Cosmopolitan Shareholders, whose names appear on the register of members of Cosmopolitan at the close of business on the Cosmopolitan Record Date
“Cosmopolitan Record Date”	currently being scheduled on Monday, 21 July 2014, according to the expected timetable of the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer (or such other date as Cosmopolitan may determine for the determination of the Cosmopolitan Open Offer Entitlements)
“Cosmopolitan Share(s)”	ordinary share(s) of HK\$0.0002 each in the share capital of Cosmopolitan

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## DEFINITIONS

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“Cosmopolitan Share Consolidation”	the share consolidation on the basis of every ten (10) issued and unissued Cosmopolitan Shares of par value HK\$0.0002 each into one (1) Cosmopolitan Consolidated Share of par value HK\$0.002
“Cosmopolitan Shareholder(s)”	the holder(s) of the Cosmopolitan Share(s) or the Cosmopolitan Consolidated Share(s)
“Cosmopolitan Subscription Price”	HK\$0.10 per Cosmopolitan Open Offer Share or per Cosmopolitan Convertible Preference Share
“Excluded Cosmopolitan Shareholder(s)”	those Cosmopolitan Overseas Shareholder(s) with registered address(es) in the territory(ies) where, based on Cosmopolitan’s enquiry, there may be legal restrictions (under the laws of the relevant place(s) and the requirements of the relevant regulatory bodies or stock exchanges), other restrictions, impracticality or difficulties for Cosmopolitan’s making the Cosmopolitan Open Offer to such Cosmopolitan Overseas Shareholder(s)
“Group”	Paliburg and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Irrevocable Undertaking”	the irrevocable undertaking dated 30 April 2014 given by P&R, on behalf of certain of its wholly-owned subsidiaries, in favour of Cosmopolitan and the Underwriter as set out in the section headed “Irrevocable Undertaking” in Appendix I to this circular
“Joint Announcement”	the announcement jointly issued by Century City, Paliburg, Regal and Cosmopolitan dated 30 April 2014 in relation to, among other things, the proposed subscription of Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares under the Cosmopolitan Open Offer, the proposed subscription of the Cosmopolitan Convertible Bonds and the possible subscription of the Cosmopolitan Optional Convertible Bonds by the P&R Group
“Last Trading Day”	30 April 2014, being the last whole trading day which was immediately prior to the release of the Joint Announcement

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## DEFINITIONS

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“Latest Application Date”	currently being scheduled on Thursday, 7 August 2014, according to the expected timetable of the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer, by which date the Cosmopolitan Application Forms together with the payment must be received by the share registrar of Cosmopolitan in Hong Kong to participate in the Cosmopolitan Open Offer
“Latest Practicable Date”	19 June 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Latest Time for Termination”	currently being scheduled at 4:00 p.m. on the business day after the Latest Application Date, according to the expected timetable of the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange (stock code: 617)
“Paliburg Board”	the board of Paliburg Directors
“Paliburg Director(s)”	the director(s) of Paliburg
“Paliburg Group”	Paliburg and its subsidiaries and, for the purpose of this circular, excluding the Regal Group, the P&R Group and the Cosmopolitan Group
“Paliburg Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Paliburg
“Paliburg Shareholder(s)”	the holder(s) of the Paliburg Share(s)
“P&R”	P&R Holdings Limited, a joint venture owned as to 50% by Paliburg Group and 50% by Regal Group
“P&R Group”	P&R and its subsidiaries and, for the purpose of this circular, excluding the Cosmopolitan Group
“PRC” or “China” or “Mainland China”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange (stock code: 78)

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## DEFINITIONS

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“Regal Group”	Regal and its subsidiaries
“Regal REIT”	Regal Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under the SFO subject to applicable conditions from time to time, the units of which are listed on the Stock Exchange (stock code: 1881)
“REIT Manager”	Regal Portfolio Management Limited, as manager of Regal REIT
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	(i) the subscription for the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares under the Cosmopolitan Open Offer; (ii) the possible application for excess Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares not taken up by the Cosmopolitan Qualifying Shareholders; (iii) the proposed underwriting of the Cosmopolitan Open Offer pursuant to the Underwriting Agreement; (iv) the possible conversion of the Cosmopolitan Convertible Preference Shares; (v) the proposed subscription of the Cosmopolitan Convertible Bonds and the possible subscription for the Cosmopolitan Conversion Shares upon exercise of the conversion rights under the Cosmopolitan Convertible Bonds; and (vi) the possible subscription for the Cosmopolitan Optional Convertible Bonds and the Cosmopolitan Optional Conversion Shares upon exercise of the conversion rights under the Cosmopolitan Optional Convertible Bonds
“Underwriter”	P&R Strategic Limited, a wholly-owned subsidiary of P&R
“Underwriting Agreement”	the underwriting agreement dated 30 April 2014 (as supplemented by a supplemental agreement dated 19 June 2014) entered into between Cosmopolitan and the Underwriter in respect of the Cosmopolitan Open Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rates of RMB1 = HK\$1.25. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above or any other rates or at all.*



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## LETTER FROM THE PALIBURG BOARD

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*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:*

26 Burnaby Street  
Hamilton HM 11  
Bermuda

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

11th Floor  
68 Yee Wo Street  
Causeway Bay  
Hong Kong

25 June 2014

*To the Paliburg Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION

#### **(I) PROPOSED SUBSCRIPTION OF COSMOPOLITAN OPEN OFFER SHARES AND/OR COSMOPOLITAN CONVERTIBLE PREFERENCE SHARES UNDER COSMOPOLITAN OPEN OFFER**

**AND**

#### **(II) PROPOSED SUBSCRIPTION OF COSMOPOLITAN CONVERTIBLE BONDS AND POSSIBLE SUBSCRIPTION OF COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS**

### INTRODUCTION

Reference is made to (i) the Joint Announcement issued by Century City, Paliburg, Regal and Cosmopolitan dated 30 April 2014 in relation to, among others, (a) the proposed subscription of the Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares under the

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## LETTER FROM THE PALIBURG BOARD

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Cosmopolitan Open Offer; and (b) the proposed subscription of the Cosmopolitan Convertible Bonds and the possible subscription of the Cosmopolitan Optional Convertible Bonds and (ii) the joint announcement of Century City, Paliburg, Regal and Cosmopolitan dated 19 June 2014 in relation to, among others, (a) the change in the expected timetable for the Cosmopolitan Open Offer; (b) the extension of the long stop date for fulfillment of the conditions precedent as set out in the Underwriting Agreement; and (c) the extension of the long stop date for fulfillment of the conditions precedent as set out in the Cosmopolitan Convertible Bonds Subscription Agreement.

On 30 April 2014 (after trading hours), Cosmopolitan, a listed subsidiary of Paliburg, proposed the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer. Under the Cosmopolitan Open Offer with a gross proceeds of approximately HK\$439.8 million, the Cosmopolitan Qualifying Shareholders will have assured entitlements to apply for two Cosmopolitan Open Offer Shares (with alternative for the Cosmopolitan Qualifying Shareholders to elect to receive the Cosmopolitan Convertible Preference Shares in lieu of all or part of their entitlements to Cosmopolitan Open Offer Shares on a “one-for-one” basis) for every one Cosmopolitan Consolidated Share held on the Cosmopolitan Record Date at the Cosmopolitan Subscription Price. On the same date, P&R, a non wholly-owned subsidiary of Paliburg, on behalf of certain of its wholly-owned subsidiaries, has irrevocably undertaken in favour of Cosmopolitan and the Underwriter that the aforesaid wholly-owned subsidiaries will apply for and take up in full their respective Cosmopolitan Open Offer Entitlements under the Cosmopolitan Open Offer for the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares to which they are entitled under the Cosmopolitan Open Offer. The aforesaid wholly-owned subsidiaries of P&R may also apply for excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares under the Cosmopolitan Open Offer. The Cosmopolitan Open Offer will be underwritten by the Underwriter, a wholly-owned subsidiary of P&R.

On 30 April 2014 (after trading hours), Cosmopolitan entered into the Cosmopolitan Convertible Bonds Subscription Agreement with P&R, pursuant to which P&R will procure its wholly-owned subsidiary to subscribe for the Cosmopolitan Convertible Bonds in the principal amount of HK\$500 million. Under the Cosmopolitan Convertible Bonds Subscription Agreement, P&R will also be entitled to an option to subscribe, through its wholly-owned subsidiary, for the Cosmopolitan Optional Convertible Bonds in the principal amount of up to HK\$500 million. The option to subscribe for the Cosmopolitan Optional Convertible Bonds is exercisable at any time during the period from the date falling 7 days after the date of issue of the Cosmopolitan Convertible Bonds until 90 days prior to the maturity date of the Cosmopolitan Convertible Bonds (both dates inclusive). The option is exercisable in whole or in part, on one or more occasions, solely at the discretion of the P&R Group by giving a written notice to the issuer of the Cosmopolitan Optional Convertible Bonds.

On 19 June 2014 (after trading hours), Cosmopolitan and the Underwriter entered into the supplemental agreement, pursuant to which Cosmopolitan and the Underwriter have agreed to extend the long stop date for fulfillment of the conditions precedent as set out in the Underwriting Agreement from 30 June 2014 to 31 August 2014. On 19 June 2014 (after trading hours), Cosmopolitan and P&R entered into another supplemental agreement, pursuant to which Cosmopolitan and P&R have agreed to extend the long stop date for fulfillment of the conditions precedent as set out in the Cosmopolitan Convertible Bonds Subscription Agreement from 31 July 2014 to 31 August 2014.

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## LETTER FROM THE PALIBURG BOARD

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The purpose of this circular is to provide the Paliburg Shareholders with further information in relation to the proposed subscription of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares under the Cosmopolitan Open Offer, the proposed subscription of the Cosmopolitan Convertible Bonds and the possible subscription of the Cosmopolitan Optional Convertible Bonds by the P&R Group.

### **PROPOSED COSMOPOLITAN OPEN OFFER, THE IRREVOCABLE UNDERTAKING AND THE UNDERWRITING ARRANGEMENT**

Principal terms of the proposed Cosmopolitan Open Offer, the Irrevocable Undertaking and the underwriting arrangement related to the proposed Cosmopolitan Open Offer are set out in Appendix I to this circular.

### **PROPOSED ISSUE OF THE COSMOPOLITAN CONVERTIBLE BONDS AND THE POSSIBLE ISSUE OF THE COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS**

Principal terms of the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds are set out in Appendix II to this circular.

### **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management and other investments including financial assets investments, and aircraft ownership and leasing business. The P&R Group is principally engaged in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities including the acquisition or making of any investments (directly or indirectly) in the securities of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financing activities where the underlying assets or security comprise real estate properties.

The Cosmopolitan Group is principally engaged in property investment and development in the PRC, securities investment and other investments. The Cosmopolitan Group is presently undertaking three major property development projects in the PRC as set out below:

#### *The Chengdu Project*

Located in Chengdu City, Sichuan Province, the PRC, this property development project is 100% owned by Cosmopolitan through its wholly-owned subsidiaries (the "**Chengdu Project**") which involves a mixed use development project consisting of hotel, commercial, office, service apartments and residential components with an overall total gross floor area of approximately 497,000 square metres, which is being developed in stages spanning over a period to 2017. The first stage of the development, which includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 apartment units with car parking spaces and ancillary commercial accommodation, is expected to be completed in 2015. Presale of the residential units in the three residential towers included in the first stage is anticipated to be launched in the fourth quarter of 2014.

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## LETTER FROM THE PALIBURG BOARD

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### *The Tianjin Project*

Located in Tianjin, the PRC, this property development project (the “**Tianjin Project**”) entails a development site with a total site area of about 31,700 square metres which is presently planned to include commercial, office, hotel and residential components with total gross floor area of about 145,000 square metres. The site formation and foundation works for the project have already commenced and the entire development is anticipated to be completed in stages before end of 2016.

### *The Xinjiang Project*

Cosmopolitan, through its wholly-owned subsidiary, is engaged in a re-forestation and land grant project (the “**Xinjiang Project**”) for a land parcel with a site area of about 7,600 mu (equivalent to approximately 5,067,000 square metres) in accordance with the relevant laws and policies in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC. The Cosmopolitan Group has re-forested an aggregate area of about 4,300 mu (equivalent to approximately 2,867,000 square metres) within the project site and in accordance with the relevant government policies of Urumqi City, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities are already in progress. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded within 2014. Should the Cosmopolitan Group successfully secure the development land and depending on the permitted land use, the Cosmopolitan Group preliminarily plans to develop in stages on the land a large scale mixed use complex comprising residential, hotel, recreational and commercial properties. Cosmopolitan has recently applied for increase of US\$10 million in the registered capital of the wholly-owned subsidiary engaged in the Xinjiang Project and has obtained the approval from the relevant government authorities.

The Paliburg Board concurs with the view of the Cosmopolitan Group that the gradual consolidation of the real estate sector in the PRC is healthy and beneficial for its stable development and, having regard to the growing affluence and the increasing size of the population, the property market in the PRC in the long term will remain prosperous and that the Cosmopolitan Group will continue to actively seek any investment opportunities that may become available at reasonable and acceptable terms.

The Paliburg Board therefore considers that through the subscription of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares by the P&R Group under the Cosmopolitan Open Offer and the Cosmopolitan Convertible Bonds Subscription Agreement and the transactions contemplated thereunder, the Paliburg Group, through the P&R Group, will be able to increase its stake in Cosmopolitan as and when the P&R Group considers appropriate while at the same time the Cosmopolitan Group will be provided with the much needed financial support for the Cosmopolitan Group in the medium term for it to repay outstanding considerations and to carry

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## LETTER FROM THE PALIBURG BOARD

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out planned continuing expansion of its asset portfolio. Over time, as the asset portfolio of the Cosmopolitan Group matures, the Paliburg Board anticipates the Paliburg Group, through the P&R Group, will benefit from the significant revenues and profits expected to be generated by the Cosmopolitan Group.

In light of (i) the aforesaid prospects of significant revenues and profits expected to be generated by the Cosmopolitan Group; (ii) while in respect of the Cosmopolitan Open Offer, the discounts of the Cosmopolitan Subscription Price to the net asset value per share and prevailing share prices of Cosmopolitan; and (iii) while in respect of the Cosmopolitan Convertible Bonds Subscription Agreement and the transactions contemplated thereunder, the in-built flexibility for the P&R Group to increase its equity interests in Cosmopolitan through the exercise of the conversion rights attaching to the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds and the recoupment of part of the financing costs for subscription of these convertible bonds through the collection of coupon interests of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds, the Paliburg Directors (including the independent non-executive Paliburg Directors) consider that the terms of the subscription of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares under the Cosmopolitan Open Offer and the Cosmopolitan Convertible Bonds Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of Paliburg and the Paliburg Shareholders as a whole.

Each of the Paliburg Group and the Regal Group will fund the P&R Group's subscription of the Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares, subscription of the Cosmopolitan Convertible Bonds and possible subscription of the Cosmopolitan Optional Convertible Bonds by their respective internal resources.

### **FINANCIAL EFFECT OF THE COSMOPOLITAN OPEN OFFER, THE SUBSCRIPTION OF THE COSMOPOLITAN CONVERTIBLE BONDS AND THE POSSIBLE SUBSCRIPTION OF THE COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS**

Upon completion of the Cosmopolitan Open Offer and the subscriptions and conversions of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds in full and assuming there will be no other change in the shareholding of Cosmopolitan, Cosmopolitan will continue to be a listed subsidiary of Paliburg and the financial statements of the Cosmopolitan Group will continue to be consolidated into the financial statements of the Group.

The proposed participation in the Cosmopolitan Open Offer, the proposed subscription and possible conversion of the Cosmopolitan Convertible Bonds and the possible subscription and conversion of the Cosmopolitan Optional Convertible Bonds in full are not expected to have any material financial impact on the Group.

Further details of the financial effects of the Transactions on the Group are set out in the Appendix VI to this circular.

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## LETTER FROM THE PALIBURG BOARD

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### LISTING RULES IMPLICATIONS

P&R is a non wholly-owned subsidiary of Paliburg and is a joint venture owned as to 50% by Regal. The P&R Group (i) has proposed to subscribe for the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares in respect of their assured entitlement; (ii) may apply for excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares not taken up by the Cosmopolitan Qualifying Shareholders; (iii) has proposed to underwrite the Cosmopolitan Open Offer pursuant to the Underwriting Agreement; (iv) has proposed to subscribe for the Cosmopolitan Convertible Bonds and may subscribe for the Cosmopolitan Conversion Shares upon exercise of the conversion rights under the Cosmopolitan Convertible Bonds; and (v) may subscribe for the Cosmopolitan Optional Convertible Bonds and may subscribe for the Cosmopolitan Optional Conversion Shares upon exercise of the conversion rights under the Cosmopolitan Optional Convertible Bonds. Based on the applicable percentage ratios in respect of the maximum of approximately 7,076.2 million new Cosmopolitan Consolidated Shares that may be taken up by the P&R Group in relation to the Transactions, the Transactions will constitute a major transaction for Paliburg under the Listing Rules. Accordingly, Paliburg is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Paliburg has obtained a written shareholders' approval for the Transactions in accordance with Rule 14.44 of the Listing Rules by a closely allied group of Paliburg Shareholders who in aggregate hold approximately 74.48% of the issued share capital of Paliburg as at the Latest Practicable Date. The closely allied group of Paliburg Shareholders comprises Mr. Lo Yuk Sui himself, who personally owns 90,078,014 Paliburg Shares, representing approximately 8.08% of the issued share capital of Paliburg as at the Latest Practicable Date, and companies wholly or majority owned and controlled by Mr. Lo Yuk Sui consisting of (i) Select Wise Holdings Limited, which owns 16,271,685 Paliburg Shares, representing approximately 1.46% of the issued share capital of Paliburg, (ii) Splendid All Holdings Limited, which owns 30,464,571 Paliburg Shares, representing approximately 2.73% of the issued share capital of Paliburg, (iii) Almighty International Limited, which owns 346,510,526 Paliburg Shares, representing approximately 31.08% of the issued share capital of Paliburg, (iv) Century City Holdings Limited, which owns 30,420,133 Paliburg Shares, representing approximately 2.73% of the issued share capital of Paliburg, (v) Cleverview Investments Limited, which owns 180,811,470 Paliburg Shares, representing approximately 16.22% of the issued share capital of Paliburg, (vi) Gold Concorde Holdings Limited, which owns 29,121,847 Paliburg Shares, representing approximately 2.61% of the issued share capital of Paliburg, (vii) Meylink Limited, which owns 48,583,000 Paliburg Shares, representing approximately 4.36% of the issued share capital of Paliburg, (viii) Smartaccord Limited, which owns 8,410,571 Paliburg Shares, representing approximately 0.75% of the issued share capital of Paliburg, and (ix) Splendour Corporation, which owns 49,783,000 Paliburg Shares, representing approximately 4.46% of the issued share capital of Paliburg as at the Latest Practicable Date. Accordingly, no shareholders' meeting of Paliburg will be convened for the purpose of approving the Transactions.

Paliburg will not be required to re-comply with the requirements under Chapter 14 of the Listing Rules if and when any of the Cosmopolitan Optional Convertible Bonds, the Cosmopolitan Converted Shares, the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares are subscribed for by the P&R Group unless there are any material changes to their terms other than adjustment in accordance with the terms of the Cosmopolitan Convertible Preference Shares, the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds.

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**LETTER FROM THE PALIBURG BOARD**

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**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*

**PROPOSED COSMOPOLITAN OPEN OFFER**

On 30 April 2014 (after trading hours), Cosmopolitan proposed to make the Cosmopolitan Open Offer, principal terms of which are set out below.

**Issue statistics**

Basis of the Cosmopolitan Open Offer:	(i) For every one Cosmopolitan Consolidated Share held on the Cosmopolitan Record Date, two Cosmopolitan Open Offer Shares with alternative for Cosmopolitan Qualifying Shareholders to elect to receive Cosmopolitan Convertible Preference Shares in lieu of all or part of their entitlements to Cosmopolitan Open Offer Shares on a “one-for-one” basis under the Cosmopolitan Open Offer; and  (ii) the P&R Group, as Cosmopolitan Qualifying Shareholders, will be entitled to elect to receive the Cosmopolitan Open Offer Shares in respect of all or part of their entitlements and the Cosmopolitan Convertible Preference Shares on a “one-for-one” basis in respect of the remaining balance (if any) of its entitlements under the Cosmopolitan Open Offer, provided that Cosmopolitan will continue to comply with the public float requirement under the Listing Rules applicable to Cosmopolitan (i.e. 25%) upon closing of the Cosmopolitan Open Offer
Cosmopolitan Subscription Price:	HK\$0.10 per Cosmopolitan Open Offer Share or per Cosmopolitan Convertible Preference Share
Number of existing Cosmopolitan Shares in issue as at the Latest Practicable Date:	21,988,047,615 Cosmopolitan Shares
Number of Cosmopolitan Consolidated Shares in issue as at the Cosmopolitan Record Date:	2,198,804,761 Cosmopolitan Consolidated Shares (assuming that no further Cosmopolitan Shares and/or Cosmopolitan Consolidated Shares will be allotted, issued and/or repurchased on or before the Cosmopolitan Record Date)



Total number of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares to be issued:	An aggregate of 4,397,609,522 Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares, based on the number of Cosmopolitan Shares in issue as at the Latest Practicable Date (assuming that no further Cosmopolitan Shares and/or Cosmopolitan Consolidated Shares will be allotted, issued and/or repurchased on or before the Cosmopolitan Record Date)
Number of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares undertaken by the P&R Group to be taken up in respect of their assured entitlements:	An aggregate of 2,969,033,438 Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares (provided that Cosmopolitan will continue to comply with the public float requirement under the Listing Rules applicable to Cosmopolitan (i.e. 25%) upon closing of the Cosmopolitan Open Offer)
Number of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares underwritten by the Underwriter:	An aggregate of 1,428,576,084 Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares (provided that Cosmopolitan will continue to comply with the public float requirement under the Listing Rules applicable to Cosmopolitan (i.e. 25%), being all of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares to be issued under the Cosmopolitan Open Offer less those undertaken by the P&R Group to be taken up in respect of its Cosmopolitan Open Offer Entitlement)

As at the Latest Practicable Date, Cosmopolitan has no securities in issue which carry any rights to subscribe for, purchase or convert into any new Cosmopolitan Shares and/or Cosmopolitan Consolidated Shares.

### **Cosmopolitan Subscription Price**

The Cosmopolitan Subscription Price is HK\$0.10 per Cosmopolitan Open Offer Share or per Cosmopolitan Convertible Preference Share, which is payable in full on application. The Cosmopolitan Subscription Price represents:

- (i) a discount of approximately 83.6% to the closing price of HK\$0.610 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 83.7% to the average closing price of the Cosmopolitan Shares of HK\$0.612 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day;

- (iii) a discount of approximately 83.9% to the average closing price of the Cosmopolitan Shares of HK\$0.622 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 63.0% to the theoretical ex-entitlement price of HK\$0.270 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 67.7% to the closing price of HK\$0.31 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 82.3% to the audited consolidated net assets of Cosmopolitan attributable to the Cosmopolitan Shareholders as at 31 December 2013 of approximately HK\$0.566 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) in issue as at the Latest Practicable Date.

The Cosmopolitan Subscription Price and the total number of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Preference Shares to be issued were determined by the Cosmopolitan Board and was agreed and accepted by the Underwriter. Cosmopolitan is of the view that the Cosmopolitan Open Offer will provide the Cosmopolitan Group with additional funding to further strengthen the financial position of the Cosmopolitan Group and the terms of the Cosmopolitan Open Offer are fair and reasonable and in the interest of Cosmopolitan.

#### **Summary of the principal terms of the Cosmopolitan Convertible Preference Shares**

Key terms of the Cosmopolitan Convertible Preference Shares are set out in the table below.

Cosmopolitan Subscription Price:	HK\$0.10 per Cosmopolitan Convertible Preference Share
Par value:	HK\$0.002 each
Conversion period:	Any time after issue subject to the minimum conversion requirement set forth below, provided that a holder may not exercise his/her/its conversion right to the extent that it would result in Cosmopolitan failing to comply with the public float requirement under the Listing Rules applicable to Cosmopolitan (i.e. 25%).
Conversion ratio:	Each Cosmopolitan Convertible Preference Share shall be convertible into one Cosmopolitan Converted Share, subject to adjustment upon the occurrence of consolidation or subdivision of the Cosmopolitan Consolidated Shares.

Minimum conversion requirement:	A holder may not exercise his conversion right unless the number of Cosmopolitan Convertible Preference Shares to be converted in connection with such exercise equals or is greater than 10,000, subject to adjustment upon the occurrence of consolidation or subdivision of the Cosmopolitan Consolidated Shares. In case where the number of all the Cosmopolitan Convertible Preference Shares held by a holder is less than 10,000, he may exercise his conversion right in respect of all such Cosmopolitan Convertible Preference Shares.
Dividends and distributions:	Each Cosmopolitan Convertible Preference Share shall confer on the holder thereof the right to receive dividends and other distributions <i>pari passu</i> with holders of Cosmopolitan Consolidated Share on the basis of the number of Cosmopolitan Converted Share into which each Cosmopolitan Convertible Preference Share may be converted and on an as-if converted basis.
Voting:	A holder of Cosmopolitan Convertible Preference Shares shall have the right to receive notice of and attend but have no right to vote at a general meeting (except on a resolution for winding up of Cosmopolitan).
Listing:	The Cosmopolitan Convertible Preference Shares will not be listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the Cosmopolitan Convertible Preference Shares on the Stock Exchange or any other stock exchange.
Transferability:	The Cosmopolitan Convertible Preference Shares may be transferred without any restriction.
Ranking of the Cosmopolitan Converted Shares:	<p>Upon conversion of the Cosmopolitan Convertible Preference Shares, the Cosmopolitan Converted Shares will be issued as fully paid and will rank <i>pari passu</i> in all respects of the Cosmopolitan Consolidated Shares in issue as at the date of conversion. Cosmopolitan will apply for the listing of, and permission to deal in, the Cosmopolitan Converted Shares on the Stock Exchange.</p> <p>On distribution of assets on liquidation or winding-up of Cosmopolitan, the assets of Cosmopolitan available for distribution to the holders of Cosmopolitan Convertible Preference Share and Cosmopolitan Consolidated Shares shall be applied as follows:</p>

- (a) firstly, in paying to the holder of each Cosmopolitan Convertible Preference Share an amount per Cosmopolitan Convertible Preference Share equal to aggregate nominal value of the number of Cosmopolitan Consolidated Shares into which an Cosmopolitan Convertible Preference Share is then convertible; and
- (b) secondly, in paying to the holder of each Cosmopolitan Consolidated Share an amount per Cosmopolitan Consolidated Share equal to the nominal value thereof; and
- (c) the balance of such assets shall be distributed to the holders of Cosmopolitan Convertible Preference Shares and Cosmopolitan Consolidated Shares *pari passu* by reference to the nominal value thereof, provided that for this purpose the nominal value of an Cosmopolitan Convertible Preference Share shall be deemed to be the aggregate nominal value of the number of Cosmopolitan Consolidated Shares into which an Cosmopolitan Convertible Preference Share is then convertible.

Redemption: The Cosmopolitan Convertible Preference Shares are non-redeemable by Cosmopolitan or the holders thereof.

Takeover: If any person (the “**Offeror**”) makes an offer for Cosmopolitan Consolidated Shares and by virtue of acceptances of such offer becomes entitled to acquire compulsorily the Cosmopolitan Consolidated Shares offered for but in respect of which no acceptance of the offer has been received, Cosmopolitan may, at any time after the Offeror gives notice of exercise of such rights of compulsory acquisition, require that all outstanding Cosmopolitan Convertible Preference Shares be converted into Cosmopolitan Converted Shares at the then applicable conversion ratio.

Scheme of arrangement: Where, pursuant to a scheme of arrangement, a person (together with parties acting in concert with such person) becomes the holder of all of the Cosmopolitan Consolidated Shares then in issue, Cosmopolitan may at any time thereafter require that all outstanding Cosmopolitan Convertible Preference Shares be converted into the Cosmopolitan Converted Shares at the then applicable conversion ratio on the basis that the public float requirements under the Listing Rules be complied with unless otherwise waived by the Stock Exchange.

Rights to participate in rights issue or open offer or bonus issue of Cosmopolitan:	If and whenever Cosmopolitan makes any offers by way of rights, open offer and/or issue by way of bonus of: <ul style="list-style-type: none"><li>- shares of Cosmopolitan,</li><li>- securities carrying rights to subscribe for, convert or exchange into shares of Cosmopolitan or voting rights,</li><li>- other shares or rights carrying the right to acquire same voting rights, or</li><li>- debt securities (the “<b>Offered Securities</b>”)</li></ul> to all the Cosmopolitan Shareholders, the same rights and/or bonus issues shall be offered and/or issued to holders of Cosmopolitan Convertible Preference Shares at the same time and on the same terms as the Offered Securities are offered and/or issued to the Cosmopolitan Shareholders.
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### The Cosmopolitan Qualifying Shareholders

The Cosmopolitan Open Offer Documents will only be registered in Hong Kong. Cosmopolitan will send the Cosmopolitan Open Offer Documents to the Cosmopolitan Qualifying Shareholders only. The Cosmopolitan Prospectus will be sent to the Excluded Cosmopolitan Shareholders for information purposes only.

To qualify for the Cosmopolitan Open Offer, a Cosmopolitan Shareholder must be registered as a member of Cosmopolitan on the Cosmopolitan Record Date. Based on the current tentative timetable, all transfer of the Cosmopolitan Consolidated Shares must be lodged with the share registrar of Cosmopolitan in Hong Kong by no later than 4:30 p.m. on Thursday, 17 July 2014.

The Cosmopolitan Qualifying Shareholders may apply for any number of Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares up to their maximum entitlements which are equal to the number of Cosmopolitan Open Offer Entitlements as shown on their Cosmopolitan Application Forms. The Cosmopolitan Open Offer Entitlements to the Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares under the Cosmopolitan Open Offer are neither transferable nor capable of renunciation. The Cosmopolitan Application Form is not a negotiable document and cannot be traded. There will not be any trading of nil-paid entitlements to the Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares.

*The Cosmopolitan Qualifying Shareholders who do not take up the Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares to which they are entitled should note that their shareholdings in Cosmopolitan will be diluted.*

### **Cosmopolitan Overseas Shareholders**

As at 31 May 2014, there were 26 Cosmopolitan Overseas Shareholders, who altogether held 10,871,135 Cosmopolitan Shares (representing less than 0.05% of the issued share capital of Cosmopolitan as at the Latest Practicable Date), with registered addresses located in Canada, Ireland, Macau, Malaysia, Saudi Arabia, Singapore, the United Kingdom and the United States of America.

Cosmopolitan will make enquiry in accordance with Rule 13.36(2) of the Listing Rules regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges for making the Cosmopolitan Open Offer to any Cosmopolitan Overseas Shareholders. Should any Cosmopolitan Overseas Shareholders be excluded from the Cosmopolitan Open Offer after enquiry, Cosmopolitan will set out the relevant details including, among other things, such overseas territories involved and an explanation for the exclusion in the Cosmopolitan Prospectus. It is the present intention of Cosmopolitan to make the Cosmopolitan Open Offer to all Cosmopolitan Shareholders registered on the Cosmopolitan Record Date unless there are legal or other restrictions, impracticality or difficulties to do so. Further details regarding the Excluded Cosmopolitan Shareholders will be set out in the Cosmopolitan Prospectus.

Any entitlements of the Excluded Cosmopolitan Shareholders pursuant to the Cosmopolitan Open Offer will be made available for excess applications by the Cosmopolitan Qualifying Shareholders as more detailed below.

### **Application for excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares**

Under the Cosmopolitan Open Offer, the Cosmopolitan Qualifying Shareholders may apply for the entitlements of the Excluded Cosmopolitan Shareholders and any Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares not taken up by the Cosmopolitan Qualifying Shareholders. Applications can be made by completing excess application forms and lodging the same with separate remittances for the excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares being applied for.

The Cosmopolitan Directors will allocate the excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares at their discretion, but on a fair and equitable basis to the Cosmopolitan Qualifying Shareholders who have applied for excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares on the following principles:

- (1) preference will be given to applications for less than a board lot of Cosmopolitan Open Offer Shares where they appear to the Cosmopolitan Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism;

- (2) subject to availability of excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares after allocation under principle (1) above, any remaining excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares will be allocated to applicants in proportion to the respective shareholdings of the applicants in Cosmopolitan as at the Cosmopolitan Record Date; and
- (3) subject to availability of excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares after allocation under principles (1) and (2) above, any further remaining excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares will be allocated to applicants in proportion to the number of excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares being applied for under each application. Following the closing of the Cosmopolitan Open Offer period, the Cosmopolitan Directors will review the excess application forms submitted by the Cosmopolitan Qualifying Shareholders to screen out applications made with the intention to abuse such mechanism if required.

The Cosmopolitan Shareholders with the Cosmopolitan Shares held by a nominee company (including CCASS and/or security brokers) should note that the Cosmopolitan Board will regard the nominee company as a single Cosmopolitan Shareholder according to the register of members of Cosmopolitan. Accordingly, the Cosmopolitan Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Cosmopolitan Open Offer Shares and/or excess Cosmopolitan Convertible Preference Shares will not be extended to beneficial owners individually. The Cosmopolitan Shareholders with their Cosmopolitan Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Cosmopolitan Shares in the name of the beneficial owner(s) prior to the Cosmopolitan Record Date.

#### **Share certificates for the fully paid Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares and refund cheques**

Subject to the fulfillment of the conditions of the Cosmopolitan Open Offer as set out in the paragraph headed “Conditions of the Cosmopolitan Open Offer” below, every Qualifying Shareholder who takes up his/her/its entitlement under the Cosmopolitan Open Offer and/or applies for excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares will receive share certificate(s) for all fully-paid Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares and, if applicable, a refund cheque in respect of a wholly or partially unsuccessful excess application which are expected to be posted on or before Monday, 18 August 2014 by ordinary post at their own risks.

#### **Status and rights of the Cosmopolitan Open Offer Shares and the Cosmopolitan Converted Shares**

The Cosmopolitan Open Offer Shares and the Cosmopolitan Converted Shares, when allotted and fully paid, will rank *pari passu* with the then existing Cosmopolitan Consolidated Shares in all respects. Holders of the Cosmopolitan Open Offer Shares and the Cosmopolitan Converted Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the allotment of the Cosmopolitan Open Offer Shares and the Cosmopolitan Converted Shares respectively.

The aggregate number of approximately 4,397.6 million Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares to be issued would represent (i) two times the issued share capital of Cosmopolitan as at the Latest Practicable Date (after adjustment for the Cosmopolitan Share Consolidation); (ii) approximately 66.7% of the issued share capital of Cosmopolitan as enlarged by the issues of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares; (iii) 54.8% of the issued share capital of Cosmopolitan as enlarged by the issues of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares and the maximum number of the Cosmopolitan Conversion Shares (assuming no adjustment to initial Cosmopolitan CB Conversion Price); and (iv) 47.4% of the issued share capital of Cosmopolitan as enlarged by the issues of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares, the maximum number of the Cosmopolitan Conversion Shares (assuming no adjustment to initial Cosmopolitan CB Conversion Price) and the maximum number of the Cosmopolitan Optional Conversion Shares (assuming no adjustment to initial Cosmopolitan Optional CB Conversion Price). The Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares to be issued have the aggregate nominal value of approximately HK\$8.8 million.

#### **Application for listing**

Cosmopolitan will apply to the Stock Exchange for the listing of, and permission to deal in, the Cosmopolitan Open Offer Shares and the Cosmopolitan Converted Shares on the Stock Exchange. Dealings in the Cosmopolitan Open Offer Shares and the Cosmopolitan Converted Shares on the Stock Exchange will be subject to the payment of the applicable stamp duty, the Stock Exchange trading fee, the transaction levy payable to the Securities and Futures Commission, or any other applicable fees and charges in Hong Kong.

No application will be made for the listing of, and permission to deal in, any of the Cosmopolitan Convertible Preference Shares on the Stock Exchange or any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Cosmopolitan Open Offer Shares on the Stock Exchange, the Cosmopolitan Open Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Cosmopolitan Open Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



**Conditions of the Cosmopolitan Open Offer**

Closing of the Cosmopolitan Open Offer is conditional upon, among other things:

- (i) the passing of the necessary resolutions by the shareholders of Cosmopolitan (other than those who are required to abstain from voting by law, the Listing Rules, the Stock Exchange and/or the Cosmopolitan Articles of Association) at the Cosmopolitan EGM in accordance with the Cosmopolitan Articles of Association and the Listing Rules for approving, among other things:
  - (a) the Cosmopolitan Share Consolidation;
  - (b) the Cosmopolitan Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, including the issue and allotment of the Cosmopolitan Open Offer Shares, the Cosmopolitan Convertible Preference Shares and, upon conversion of any of the Cosmopolitan Convertible Preference Shares, the Cosmopolitan Converted Shares; and
  - (c) any amendments to the Cosmopolitan Articles of Association to create and permit the issue of the Cosmopolitan Convertible Preference Shares under the terms of the Cosmopolitan Open Offer;
- (ii) the passing of the necessary resolutions by the shareholders of Century City (other than those who are required to abstain from voting by law, the Listing Rules, the Stock Exchange and/or the bye-laws of Century City) or, where permitted under the Listing Rules, the obtaining of the written shareholders' approval from a closely allied group of shareholders of Century City holding more than 50% of the issued shares of Century City, for approving P&R Group's participation in the Cosmopolitan Open Offer, the Underwriter's entering into of the Underwriting Agreement and the relevant transactions contemplated thereunder (including subscription, excess application and underwriting of any Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares and the possible subscription of the Cosmopolitan Converted Shares upon exercise of the conversion rights under the Cosmopolitan Convertible Preference Shares);
- (iii) the passing of the necessary resolutions by the shareholders of Paliburg (other than those who are required to abstain from voting by law, the Listing Rules, the Stock Exchange and/or the bye-laws of Paliburg) or, where permitted under the Listing Rules, the obtaining of the written shareholders' approval from a closely allied group of shareholders of Paliburg holding more than 50% of the issued shares of Paliburg, for approving P&R Group's participation in the Cosmopolitan Open Offer, the Underwriter's entering into of the Underwriting Agreement and the relevant transactions contemplated thereunder (including subscription, excess application and underwriting of any Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares and the possible subscription of the Cosmopolitan Converted Shares upon exercise of the conversion rights under the Cosmopolitan Convertible Preference Shares);

- (iv) the passing of the necessary resolutions by the shareholders of Regal (other than those who are required to abstain from voting by law, the Listing Rules, the Stock Exchange and/or the bye-laws of Regal) for approving the provision of financial assistance to the P&R Group for the P&R Group's participation in the Cosmopolitan Open Offer and the Underwriter's entering into of the Underwriting Agreement and the relevant transactions contemplated thereunder (including subscription, excess application and underwriting of any Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares);
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having revoked, listing of and permission to deal in all of the Cosmopolitan Open Offer Shares and the Cosmopolitan Converted Shares;
- (vi) the registration of the Cosmopolitan Open Offer Documents by the Registrar of Companies in Hong Kong in compliance with the Companies Ordinance by no later than the Cosmopolitan Prospectus Posting Date;
- (vii) the posting of the Cosmopolitan Open Offer Documents to the Cosmopolitan Qualifying Shareholders on the Cosmopolitan Prospectus Posting Date;
- (viii) compliance of the terms of the Irrevocable Undertakings by 4:00 p.m. on the Latest Application Date;
- (ix) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof; and
- (x) all necessary consents being granted by third parties (including governmental or official authorities) and no statute, regulation or decision which would prohibit, restrict or materially delay the Cosmopolitan Share Consolidation, the completion of the Underwriting Agreement, the Cosmopolitan Open Offer and transactions contemplated thereunder having been proposed, enacted or taken by any governmental or official authority.

As at the Latest Practicable Date, except for the fulfillment of the condition (iii) above, none of other conditions above has been fulfilled and/or waived.

In the event that any of the above conditions is not fulfilled on or before 31 August 2014 (or such other date as may be agreed by the parties), the Cosmopolitan Open Offer will lapse and the Cosmopolitan Open Offer will not proceed.

#### **IRREVOCABLE UNDERTAKING**

P&R, through its wholly-owned subsidiaries, owns in aggregate 14,845,167,190 Cosmopolitan Shares, representing approximately 67.5% of the issued share capital of Cosmopolitan as at the Latest Practicable Date. P&R, on behalf of the aforesaid subsidiaries, has irrevocably undertaken in favour of Cosmopolitan and the Underwriter that they will apply for and take up in full their respective Cosmopolitan Open Offer Entitlements under the Cosmopolitan Open Offer for 2,969,033,438 Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares to which they are entitled under the Cosmopolitan Open Offer.

## UNDERWRITING ARRANGEMENT

On 30 April 2014 (after trading hours), Cosmopolitan entered into the Underwriting Agreement with the Underwriter.

### The Underwriting Agreement

Date	30 April 2014 (as supplemented by a supplemental agreement dated 19 June 2014)
Parties	(1) Cosmopolitan; and  (2) P&R Strategic Limited, as the Underwriter
Number of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares underwritten	1,428,576,084 Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares (provided that Cosmopolitan will continue to comply with the public float requirement under the Listing Rules applicable to Cosmopolitan (i.e. 25%) upon closing of the Cosmopolitan Open Offer), being all of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares to be issued under the Cosmopolitan Open Offer less those undertaken by the P&R Group to be taken up in respect of their respective Cosmopolitan Open Offer Entitlement pursuant to the Irrevocable Undertaking
Subscription price of underwritten Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares	HK\$0.10 per Cosmopolitan Open Offer Share or per Cosmopolitan Convertible Preference Share
Underwriting commission	Nil

### Termination of the Underwriting Agreement

The Underwriter reserves the right to terminate the Underwriting Agreement if any of the events below occurs prior to the Latest Time for Termination:

- (a) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that, any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change of the Cosmopolitan Group as a whole or is otherwise likely to have a material and adverse effect on the Cosmopolitan Open Offer;
- (b) Cosmopolitan commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or

- (c) (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);
- (iii) any change in local, national or international equity securities or currency markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);
- (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
- (v) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Cosmopolitan Group or a material proportion of the Cosmopolitan Shareholders in their capacity as such;
- (vi) any suspension in the trading of the Cosmopolitan Shares on the Stock Exchange for a continuous period of 5 business days;
- (vii) any change occurs in the circumstances of Cosmopolitan or any member of the Cosmopolitan Group,

which event or events is or are in the reasonable opinion of the Underwriter

- (1) likely to have a material adverse effect on the business, financial position or prospects of the Cosmopolitan Group taken as a whole;
- (2) likely to have a material adverse effect on the success of the Cosmopolitan Open Offer or the level of applications for the Cosmopolitan Open Offer submitted; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Cosmopolitan Open Offer,

then, and in such case, the Underwriter has the right, exercisable at its sole and absolute discretion, to terminate the Underwriting Agreement by notice in writing to Cosmopolitan not later than the Latest Time for Termination.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease. Neither the Underwriter nor Cosmopolitan shall have any claim against the other party in respect of the Underwriting Agreement, except that the costs and expenses incurred prior to the termination of the Underwriting Agreement remain payable by Cosmopolitan pursuant to the Underwriting Agreement.

*If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination or does not become unconditional, the Cosmopolitan Open Offer will not proceed.*

**Information on the Underwriter**

The Underwriter is a company incorporated in the British Virgin Islands on 2 July 2013 and its principal business is investment holding. As at the Latest Practicable Date, the Underwriter owned 507,770 Cosmopolitan Shares. It is not in the ordinary and usual course of business for the Underwriter to underwrite the issue of securities.

**PROPOSED ISSUE OF THE COSMOPOLITAN CONVERTIBLE BONDS AND THE POSSIBLE  
ISSUE OF THE COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS**

On 30 April 2014 (after trading hours), Cosmopolitan entered into the Cosmopolitan Convertible Bonds Subscription Agreement with P&R, pursuant to which P&R will procure its wholly-owned subsidiary to subscribe for the Cosmopolitan Convertible Bonds in the principal amount of HK\$500 million. Under the Cosmopolitan Convertible Bonds Subscription Agreement, P&R will also be entitled to an option to subscribe, through its wholly-owned subsidiary, for the Cosmopolitan Optional Convertible Bonds in the principal amount of up to HK\$500 million. The option to subscribe for the Cosmopolitan Optional Convertible Bonds is exercisable at any time during the period from the date falling 7 days after the date of issue of the Cosmopolitan Convertible Bonds until 90 days prior to the maturity date of the Cosmopolitan Convertible Bonds (both dates inclusive). The option is exercisable in whole or in part, on one or more occasions, solely at the discretion of the P&R Group by giving a written notice to the issuer of the Cosmopolitan Optional Convertible Bonds.

Summaries of the principal terms of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds are set out below.

**For the Cosmopolitan Convertible Bonds:**

Principal amount:	HK\$500 million
Issuer:	A wholly-owned subsidiary of Cosmopolitan principally engaged in financing activities.
Cosmopolitan CB Conversion Price:	<p>The initial Cosmopolitan CB Conversion Price (subject to adjustments as set out in the paragraph “Adjustments to the Cosmopolitan Conversion Prices” below) shall be HK\$0.35 per Cosmopolitan Conversion Share, which represents:</p> <ul style="list-style-type: none"><li>(i) a premium of approximately 250.0% over the Cosmopolitan Subscription Price;</li><li>(ii) a discount of approximately 42.6% to the closing price of HK\$0.610 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Last Trading Day;</li><li>(iii) a discount of approximately 42.8% to the average closing price of the Cosmopolitan Shares of HK\$0.612 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day;</li></ul>

- (iv) a discount of approximately 43.7% to the average closing price of the Cosmopolitan Shares of HK\$0.622 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day;
- (v) a premium of approximately 29.6% over the theoretical ex-entitlement price of HK\$0.270 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a premium of approximately 12.9% over the closing price of HK\$0.31 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a discount of approximately 38.2% to the audited consolidated net assets of Cosmopolitan attributable to the Cosmopolitan Shareholders as at 31 December 2013 of approximately HK\$0.566 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) in issue as at the Latest Practicable Date.

The initial Cosmopolitan CB Conversion Price and the principal amount of the Cosmopolitan Convertible Bonds were determined by the Cosmopolitan Board and were agreed and accepted by P&R. Based on the initial Cosmopolitan CB Conversion Price, the Cosmopolitan Convertible Bonds are convertible into a maximum of approximately 1,428.6 million Cosmopolitan Conversion Shares.

Interest rate:

The Cosmopolitan Convertible Bonds bears 2.5% per annum coupon rate, payable semi-annually.

Maturity date:

Being the end of third year from date of the issue of the Cosmopolitan Convertible Bonds. On the maturity date, all of the remaining outstanding Cosmopolitan Convertible Bonds will be redeemed by the issuer of the Cosmopolitan Convertible Bonds at 100% of the outstanding principal amount of the Cosmopolitan Convertible Bonds together with any interest accrued thereon.

Form: The Cosmopolitan Convertible Bonds will be issued in registered form.

**For the Cosmopolitan Optional Convertible Bonds:**

Maximum principal amount: HK\$500 million

Issuer: A wholly-owned subsidiary of Cosmopolitan principally engaged in financing activities.

Cosmopolitan Optional CB Conversion Price: The initial Cosmopolitan Optional CB Conversion Price (subject to adjustments as set out in the paragraph “Adjustments to the Cosmopolitan Conversion Prices” below) shall be HK\$0.40 per Cosmopolitan Conversion Share, which represents:

- (i) a premium of approximately 300.0% over the Cosmopolitan Subscription Price;
- (ii) a discount of approximately 34.4% to the closing price of HK\$0.610 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 34.6% to the average closing price of the Cosmopolitan Shares of HK\$0.612 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 35.7% to the average closing price of the Cosmopolitan Shares of HK\$0.622 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day;
- (v) a premium of approximately 48.1% over the theoretical ex-entitlement price of HK\$0.270 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day;



- (vi) a premium of 29.0% over the closing price of HK\$0.31 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a discount of approximately 29.3% to the audited consolidated net assets of Cosmopolitan attributable to the Cosmopolitan Shareholders as at 31 December 2013 of approximately HK\$0.566 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) in issue as at the Latest Practicable Date.

The initial Cosmopolitan Optional CB Conversion Price and the maximum principal amount of the Cosmopolitan Optional Convertible Bonds were determined by the Cosmopolitan Board and were agreed and accepted by P&R. Based on the initial Cosmopolitan Optional CB Conversion Price, the Cosmopolitan Optional Convertible Bonds are convertible into a maximum of 1,250.0 million Cosmopolitan Optional Conversion Shares.

- Interest rate: The Cosmopolitan Optional Convertible Bonds bears 3.5% per annum coupon rate, payable semi-annually.
- Maturity date: Being the end of third year from the date of the issue of the Cosmopolitan Convertible Bonds. On the maturity date, all of the remaining outstanding Cosmopolitan Optional Convertible Bonds will be redeemed by the issuer of the Cosmopolitan Optional Convertible Bonds at 100% of the outstanding principal amount of the Cosmopolitan Optional Convertible Bonds together with any interest accrued thereon.
- Form: The Cosmopolitan Optional Convertible Bonds will be issued in registered form.

**For both the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds:****Conversion:**

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

Fractions of the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares will not be issued on conversion and no cash adjustment will be made in respect thereof.

There are no restrictions on any subsequent dealings in the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares.

**Adjustments to the  
Cosmopolitan Conversion  
Prices:**

The initial Cosmopolitan Conversion Prices will be subject to adjustments for share consolidations, share subdivisions, re-classification of share into other securities (upon which the Cosmopolitan Conversion Prices will be adjusted proportionately such that their holders would receive the number of Cosmopolitan Shares and/or such other securities which they would have been entitled to had they been converted before the re-classification), capitalisation issues, capital distributions, rights issues, and certain other dilutive events, including issue of new Cosmopolitan Consolidated Shares at a subscription price below the then prevailing market price of the Cosmopolitan Consolidated Shares and issue of convertible securities with conversion prices below the then prevailing market price of the Cosmopolitan Consolidated Shares.

- Voting:** The holders of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds shall not be entitled to receive notices of, attend or vote at any general meetings of Cosmopolitan or any meetings of any class of Cosmopolitan's shares, by reason only of it being a holder of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds respectively.
- Listing:** The Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds on the Stock Exchange or any other stock exchange. No application will be made for the admissibility, deposit, clearance or settlement of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds in CCASS. No transfer, clearing or settlement services will be provided by HKSCC in respect of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares to be issued upon the exercise of the conversion rights attached to the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds respectively.
- Transferability:** The Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds are transferable to other parties except that the transfer shall not result in Cosmopolitan being obliged to comply with the obligations prescribed under the Companies Ordinance in relation to issue of prospectus or initial public offering of securities.
- Security:** The Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds will not be secured by any collateral but guaranteed by Cosmopolitan.

Ranking of the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares:	The Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares shall be duly and validly issued, fully paid and registered, and free from encumbrances, and all such Cosmopolitan Conversion Shares and Cosmopolitan Optional Conversion Shares shall rank <i>pari passu</i> in all respects with the fully paid Cosmopolitan Consolidated Shares in issue on the relevant date of conversion of the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares on Cosmopolitan's register of members (after issue of the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares upon conversion of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds respectively) respectively and shall accordingly entitle the holders thereof to participate in full in all dividends or other distributions the record date for which falls on a date on or after the relevant conversion date.
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#### **Number of the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares**

The maximum number of approximately 1,428.6 million Cosmopolitan Conversion Shares upon full conversion of the Cosmopolitan Convertible Bonds at the initial Cosmopolitan Conversion Price would represent (i) approximately 65.0% of the issued share capital of Cosmopolitan (after adjustment for the Cosmopolitan Share Consolidation) as at the Latest Practicable Date; (ii) approximately 21.7% of the issued share capital of Cosmopolitan as enlarged by the issues of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares; (iii) approximately 17.8% of the issued share capital of Cosmopolitan as enlarged by the issues of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares and the maximum number of the Cosmopolitan Conversion Shares (assuming no adjustment to initial Cosmopolitan CB Conversion Price); and (iv) approximately 15.4% of the issued share capital of Cosmopolitan as enlarged by the issues of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares, the maximum number of the Cosmopolitan Conversion Shares (assuming no adjustment to initial Cosmopolitan CB Conversion Price) and the maximum number of the Cosmopolitan Optional Conversion Shares (assuming no adjustment to initial Cosmopolitan Optional CB Conversion Price). The maximum number of the Cosmopolitan Conversion Shares to be issued has the aggregate nominal value of approximately HK\$2.9 million.

The maximum number of 1,250.0 million Cosmopolitan Optional Conversion Shares upon full conversion of the Cosmopolitan Optional Convertible Bonds at the initial Cosmopolitan Optional CB Conversion Price would represent (i) approximately 56.8% of the issued share capital of Cosmopolitan (after adjustment for the Cosmopolitan Share Consolidation) as at the Latest Practicable Date; (ii) approximately 18.9% of the issued share capital of Cosmopolitan as enlarged by the issues of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares; (iii) approximately 15.6% of the issued share capital of Cosmopolitan as enlarged by the issues of the Cosmopolitan Open

Offer Shares and/or the Cosmopolitan Converted Shares and the maximum number of the Cosmopolitan Conversion Shares (assuming no adjustment to initial Cosmopolitan CB Conversion Price); and (iv) approximately 13.5% of the issued share capital of Cosmopolitan as enlarged by the issues of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Converted Shares, the maximum number of the Cosmopolitan Conversion Shares (assuming no adjustment to initial Cosmopolitan CB Conversion Price) and the maximum number of the Cosmopolitan Optional Conversion Shares (assuming no adjustment to initial Cosmopolitan Optional CB Conversion Price). The maximum number of the Cosmopolitan Optional Conversion Shares to be issued has the aggregate nominal value of HK\$2.5 million.

**Application for listing**

No application will be made for the listing of, and permission to deal in, any of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds on the Stock Exchange or any other stock exchange. Cosmopolitan will apply to the Stock Exchange for the listing of, and permission to deal in, the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares on the Stock Exchange.

**Conditions of the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds**

Completion of the Cosmopolitan Convertible Bonds Subscription Agreement is conditional upon, among other things:

- (i) the passing of the necessary resolutions by the independent shareholders of Cosmopolitan (other than those who are required to abstain from voting by law, the Listing Rules, the Stock Exchange and/or the Cosmopolitan Articles of Association) at the Cosmopolitan EGM in accordance with the Cosmopolitan Articles of Association and the Listing Rules for approving, among other things, the giving of the guarantee in respect of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, the possible issue of the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares upon exercise of the conversion rights under the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds respectively;
- (ii) the passing of the necessary resolutions by the shareholders of Century City (other than those who are required to abstain from voting by law, the Listing Rules, the Stock Exchange and/or the bye-laws of Century City) at a shareholders' meeting or, where permitted under the Listing Rules, the obtaining of the written shareholders' approval from a closely allied group of shareholders of Century City holding more than 50% of the issued shares of Century City, for approving the Cosmopolitan Convertible Bonds Subscription Agreement and the relevant transactions contemplated thereunder, including without limitation the subscription of the Cosmopolitan Convertible Bonds and the possible subscription of the

Cosmopolitan Optional Convertible Bonds, the possible subscription of the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares upon exercise of the conversion rights of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds respectively;

- (iii) the passing of the necessary resolutions by the shareholders of Paliburg (other than those who are required to abstain from voting by law, the Listing Rules, the Stock Exchange and/or the bye-laws of Paliburg) at a shareholders' meeting or, where permitted under the Listing Rules, the obtaining of the written shareholders' approval from a closely allied group of shareholders of Paliburg holding more than 50% of the issued shares of Paliburg, for approving the Cosmopolitan Convertible Bonds Subscription Agreement and the relevant transactions contemplated thereunder, including without limitation the subscription of the Cosmopolitan Convertible Bonds and the possible subscription of the Cosmopolitan Optional Convertible Bonds, the possible subscription of the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares upon exercise of the conversion rights under the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds respectively;
- (iv) the passing of the necessary resolutions by the shareholders of Regal (other than those who are required to abstain from voting by law, the Listing Rules, the Stock Exchange and/or the bye-laws of Regal) for approving the provision of financial assistance to the P&R Group in relation to the Cosmopolitan Convertible Bonds Subscription Agreement and the transactions contemplated thereunder including without limitation the subscription of the Cosmopolitan Convertible Bonds and the possible subscription of the Cosmopolitan Optional Convertible Bonds;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having revoked, listing of and permission to deal in the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares; and
- (vi) closing of the Cosmopolitan Open Offer.

As at the Latest Practicable Date, except for the fulfillment of the condition (iii) above, none of other conditions above has been fulfilled and/or waived.

In the event that any of the above conditions is not fulfilled on or before 31 August 2014 (or such other date as may be agreed by the parties), the Cosmopolitan Convertible Bonds Subscription Agreement will cease and terminate.









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

Financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 is disclosed on pages 43 to 124 of the annual report of Paliburg for the year ended 31 December 2011, pages 41 to 151 of the annual report of Paliburg for the year ended 31 December 2012 and pages 52 to 169 of the annual report of Paliburg for the year ended 31 December 2013, which are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of Paliburg ([www.paliburg.com.hk](http://www.paliburg.com.hk)).

**II. INDEBTEDNESS**

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding borrowings of approximately HK\$12,730.8 million which represented (i) bank loans of HK\$8,490.2 million secured by certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances, (ii) unsecured notes of US\$297.0 million (approximately HK\$2,302.6 million) issued under a US\$1,000.0 million medium term note programme of Regal, and (iii) unsecured notes of HK\$775.0 million and US\$150.0 million (approximately HK\$1,163.0 million) issued under a US\$1,000.0 million medium term note programme of Regal REIT (the "**Regal REIT MTN Programme**").

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 bank loans of HK\$116.2 million, all of the above outstanding borrowings of the Group were guaranteed by Paliburg or certain of its subsidiaries.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 30 April 2014, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance leases commitments, or any guarantees or other material contingent liabilities.

**III. WORKING CAPITAL**

The Paliburg Directors are of the opinion that, after taking into account the internal resources, the present banking facilities available to the Group and the effects of the Transactions, the Group has sufficient working capital to satisfy its present requirements, that is for at least the next 12 months from the date of this circular, in the absence of unforeseen circumstances.

**IV. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Paliburg Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

**V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP****The Regal Group**

The anticipated commissioning date for the Hongkong-Zhuhai-Macao Bridge is scheduled by the end of 2016, which will provide a new land transport link between the east and west coasts of the Pearl River. Moreover, the 26-km long Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link is targeted to be completed in 2015. The Express Rail Link will connect Hong Kong with the 16,000-km National High-speed Railway Network and is expected to strengthen Hong Kong's role as the southern gateway to the PRC. These new infrastructure projects will stimulate further economic growth within the region and bring an increasing number of visitor arrivals to Hong Kong.

The Government of Hong Kong has been taking initiatives to increase Hong Kong's capacity to receive tourists and intends to continue investing in various infrastructural developments and tourism landscapes. These will include the planned expansion of the Hong Kong International Airport into a three-runway system, the Kai Tak Fantasy Project to turn the Kai Tak Development Area, including the Kai Tak International Cruise Terminal, into a recreational landmark, and the continuing expansion projects at Hong Kong Disneyland and the Ocean Park. All these developments will have a significant positive impact in meeting the demands of an increasing number of global and regional visitors to Hong Kong.

The REIT Manager is optimistic that the tourism and hotel markets in Hong Kong will continue to grow. As the only listed hospitality REIT with market concentration in Hong Kong, the REIT Manager is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotel owners in Hong Kong. The Regal iClub Hotel in Wanchai has proven to be a successful business model, which has generated for Regal REIT good investment returns and capital appreciation, and the REIT Manager has the same optimistic expectations for the new "iclub Sheung Wan Hotel". Regal REIT has substantial unutilised financing capabilities that can be used to fund its future expansion programmes and will continue to review yield accretive acquisition opportunities, including the new hotel in North Point under an option agreement, with a view to achieving enhanced earnings and capital growth.

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

**The Cosmopolitan Group**

After all the then outstanding convertible bonds in an aggregate principal amount of HK\$541.5 million were fully converted into new ordinary shares of Cosmopolitan in September 2013, the capital base of Cosmopolitan has been substantially enlarged and strengthened.

The Cosmopolitan Group considers that the gradual consolidation of the real estate sector in the PRC is healthy and beneficial for its stable development. Having regard to the growing affluence and the increasing size of the population, the Cosmopolitan Group is optimistic that the property market in Mainland China in the long term will remain prosperous and will continue to actively seek any investment opportunities that may become available at reasonable and acceptable terms.

Both the Chengdu Project and the Tianjin Project are currently free of any external borrowings and it is anticipated that substantial proceeds will be generated from the presale and/or sale of their component parts over the period of the next two years, a majority portion of which may be utilised to pay off the outstanding considerations payable for the acquisition of the two projects. Nevertheless, given the planned continuing expansion of its asset portfolio, the Cosmopolitan Group has recently proposed the Cosmopolitan Open Offer, issue of the Cosmopolitan Convertible Bonds and granting an option to issue the Cosmopolitan Optional Convertible Bonds.

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

### **The Group**

Apart from the new iclub Sheung Wan Hotel already sold to Regal REIT and the latest development project awarded by the Urban Renewal Authority, P&R is undertaking six wholly-owned ongoing property projects in Hong Kong, ranging from residential to hotel and shopping mall developments, while Cosmopolitan is developing two large scale mixed used complexes in Chengdu and Tianjin in the PRC. All these projects are scheduled to be completed over the course of the next few years, with the potential sale or unit presale of certain of the projects planned to be spanned out from the latter part of this year, which are expected to generate for the Group as a whole substantial cash flow and profit contribution. Moreover, the Group will continue to seek new acquisition opportunities with a view to further expanding its property portfolio in Hong Kong and (through the Cosmopolitan Group) in the PRC. Overall, the Paliburg Directors are optimistic of the continuing growth and prospects of the Group.

**I. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COSMOPOLITAN GROUP FOR THE TWO YEARS ENDED 31 MARCH 2012 AND 2013 AND NINE MONTHS ENDED 31 DECEMBER 2013**

Financial information of the Cosmopolitan Group for each of the two years ended 31 March 2012 and 2013 and the nine months ended 31 December 2013 is disclosed on pages 31 to 104 of the annual report of Cosmopolitan for the year ended 31 March 2012, pages 40 to 110 of the annual report of Cosmopolitan for the year ended 31 March 2013 and pages 42 to 122 of the annual report of Cosmopolitan for the nine months ended 31 December 2013, which are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of Cosmopolitan ([www.cosmoholdings.com](http://www.cosmoholdings.com)).

**II. MANAGEMENT DISCUSSION AND ANALYSIS ON THE COSMOPOLITAN GROUP  
FOR THE YEAR ENDED 31 MARCH 2012***Business and financial review*

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

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

Cosmopolitan Group were approximately HK\$86.8 million. Since 31 March 2012, the Cosmopolitan Group had continued to build up more cash liquidity to enable the Cosmopolitan Group to take up good investment opportunities when they become available. The Cosmopolitan Group recorded net current liabilities of HK\$136.2 million as at 31 March 2012. The Cosmopolitan Group was expecting to receive HK\$100 million in July 2012 from the joint ventures for partial repayment of shareholders' loan previously granted by the Cosmopolitan Group and, if required, could consider converting certain non-current assets into cash to further strengthen the Cosmopolitan Group's liquidity position.

### *Chengdu Project*

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

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

### *Xinjiang Project*

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

### *Rainbow Lodge Properties*

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

### *Securities investments*

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

***Liquidity and financial resources***

Current assets and current liabilities of the Cosmopolitan Group as at 31 March 2012 were HK\$368.0 million and HK\$504.2 million respectively. Cash and bank deposit (excluding pledged bank deposits) and deposits placed with securities brokers stood at HK\$86.8 million as at 31 March 2012. There was a marked improvement in net assets attributable to the owners of Cosmopolitan to HK\$573.1 million due to the share of the profit recognised in Faith Crown and the decrease of derivative financial liabilities included under current liabilities which had been reflected in the consolidated net profit of the Cosmopolitan Group as stated in the paragraph headed “Business and financial review” above. The Cosmopolitan Group’s gearing ratio as at 31 March 2012 based on the net borrowings (represented by bank borrowings and convertible bond borrowings net of cash and bank deposits (excluding pledged bank deposits)) as a percentage of the total assets was 34%.

***Capital structure***

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

***Material investment, acquisition and disposal of subsidiaries and associates***

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

***Number and remuneration of employees***

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

***Pledge of assets***

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

***Capital commitment***

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

***Exposure to foreign exchange***

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

***Financial instruments for hedging***

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

***Contingent liabilities***

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

**FOR THE YEAR ENDED 31 MARCH 2013*****Business and financial review***

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

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



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

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

### *Chengdu Project*

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

### *Xinjiang Project*

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

### *Rainbow Lodge Properties*

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

***Securities investments***

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

***Liquidity and financial resources***

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

***Capital structure***

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

***Material investment, acquisition and disposal of subsidiaries and associates***

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

***Number and remuneration of employees***

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

***Pledge of assets***

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

***Capital commitment***

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

***Exposure to foreign exchange***

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

***Financial instruments for hedging***

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

***Contingent liabilities***

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

**FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2013*****Business and financial review***

The Cosmopolitan Group has in the past been principally engaged in property investment and development, in Hong Kong and the PRC, and financial assets and other investments. During the nine-month period ended 31 December 2013, in September 2013, the Cosmopolitan Group acquired from P&R and Regal their respective interests in the two large scale development projects in Chengdu and Tianjin, the PRC, both major cities in the PRC, and sold its Rainbow Lodge Properties to P&R. Cosmopolitan has become a listed subsidiary of P&R and, in turn, of Paliburg and Century City, on 16 September 2013. With the completion of these two strategic acquisitions, it is intended that a majority proportion of the businesses of the Cosmopolitan Group will in future be focused on property development and investment in the PRC.

As disclosed in a joint announcement by Cosmopolitan dated 30 September 2013, P&R, a 50/50 joint venture held by Paliburg and Regal, acquired from the then single largest Cosmopolitan Shareholder, on 14 September 2013 Cosmopolitan Shares representing approximately 19.4% of the then issued share capital of Cosmopolitan at a price of HK\$0.07 per Cosmopolitan Share. P&R has further on 16 September 2013 fully converted their holdings of the then outstanding convertible bonds issued by the Cosmopolitan Group into new Cosmopolitan Shares. As a result, P&R and its concert parties have come to own, in aggregate, approximately 67.6% of the entire issued share capital of Cosmopolitan. In accordance with the Codes on Takeovers and Mergers, P&R extended an unconditional mandatory general cash offer to all the independent Cosmopolitan Shareholders at the offer price of HK\$0.07 per Cosmopolitan Share, as set out in the composite offer document dated 11 November 2013 despatched to Cosmopolitan Shareholders, which offer has duly closed on 2 December 2013.

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

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

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

### ***Properties***

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

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

**(i) Property development**

*Chengdu Project*

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

The project involves a mixed use development project located in Xindu District in Chengdu, Sichuan Province, consisting of hotel, commercial, office, service apartments and residential components with an overall total gross floor area of approximately 497,000 square metres, which is being developed in stages spanning over a period to 2017. The first stage of the development, which includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 apartment units with car parking spaces and ancillary commercial accommodation, is expected to be completed in 2015. Presale of the residential units in the three residential towers included in the first stage is anticipated to be launched in the fourth quarter of 2014.

*Tianjin Project*

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

The project entails a development site located in a prime district in Tianjin City with a total site area of about 31,700 square metres. The development is presently planned to include commercial, office, hotel and residential components with total gross floor area of about 145,000 square metres. The site formation and foundation works for the project have already commenced and the entire development is anticipated to be completed in stages before end of 2016.

*Xinjiang Project*

This is a re-forestation and land grant project in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC that has been undertaken by the Cosmopolitan Group since 2008, which involves a total site area of about 7,600 mu. Up to now, the Cosmopolitan Group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi City, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after

the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the re-forested area by the relevant government authorities are already in progress. It was hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded within 2014.

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

#### *Wuxi Project*

As disclosed in the interim report of Cosmopolitan for the six months ended 30 September 2013, the Cosmopolitan Group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for the possible acquisition and development of a parcel of land of about 937 mu (equivalent to approximately 624,270 square metres) located in Huishan District, Wuxi City, Jiangsu Province, the PRC (the "**Wuxi Project**"). The Co-operation Agreement for the Wuxi Project is subject to certain terms to be agreed by the parties within six months of the date of the agreement. As at the Latest Practicable Date, the Cosmopolitan Group has not reached agreement in respect of certain terms with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission. The Cosmopolitan Group intends to seek extension of such period to finalise and agree on such terms pursuant to the Co-operation Agreement.

#### (ii) **Property investment**

#### *Tongzhou Project*

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

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

The Cosmopolitan Group's investment in the Tongzhou Project is expected to generate returns on satisfactory terms, which will have support from the PRC government. Moreover, the undertaking of the project is also expected to strengthen the Cosmopolitan Group's experience in the management of primary land development projects and foster its relationship with the PRC government authorities in furtherance of its future strategic business development in the PRC.

The Cosmopolitan Group has recently applied for increase of approximately RMB200 million in the registered capital of the BJ WFOE with a view to strengthening and capitalising the BJ WFOE for potential investment in other property development and investment projects in the PRC. In the meantime, the BJ WFOE is negotiating a supplemental agreement with the aforesaid independent third party to further agree on the timing and conditions for the BJ WFOE to complete the aforesaid subscription of equity interest under the aforesaid co-operation agreement.

#### *Financial assets and other investments*

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

#### *Liquidity and financial resources*

Current assets and current liabilities of the Cosmopolitan Group as at 31 December 2013 were HK\$2,776.1 million and HK\$113.6 million respectively. Cash and bank deposit (excluding pledged bank deposits) stood at HK\$399.6 million as at 31 December 2013. There was an improvement in net assets attributable to the owners of Cosmopolitan to HK\$1,244.8 million mainly due to the conversion of the then outstanding convertible bonds issued by the Cosmopolitan Group by P&R as mentioned under the paragraph headed "Capital structure" below. As at 31 December 2013, excluding the considerations payable to the vendors for acquisition of the property projects, the Cosmopolitan Group had net cash balance of HK\$389.1 million and therefore no gearing.

#### *Capital structure*

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

During the nine months ended 31 December 2013, on 2 July 2013, the options granted by Apex Team Limited ("**Apex Team**"), also a wholly-owned subsidiary of Cosmopolitan, to the holders of the convertible bonds in an aggregate principal amount of HK\$200,000,000 due in 2013 (with maturity date on 14 February 2013, which was subsequently extended to 30 September 2013) issued by Apex

Team (“**CB 2013**”) were exercised to subscribe for additional CB 2013 in an aggregate principal amount of HK\$200,000,000 (“**Optional CB 2013**”). On 16 September 2013, the conversion rights attached to the CB 2013 and the Optional CB 2013 were exercised to convert, in each case, into 3,333,333,332 new Cosmopolitan Shares, at a conversion price of HK\$0.06 per Cosmopolitan Share (as adjusted).

*Material investment, acquisition and disposal of subsidiaries and associates*

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

*Acquisition of interests in the Chengdu Project from P&R*

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

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

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



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

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

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

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

Relevant details of the transactions under the Chengdu Agreement, the Other Chengdu Agreement and the Novation Agreement were disclosed in the announcement of Cosmopolitan dated 27 June 2013 and the circular of Cosmopolitan dated 28 August 2013.

*Acquisition of interests in the Tianjin Project from Regal*

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

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

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

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

*Disposal of interests in properties in Yuen Long, Hong Kong to P&R*

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

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

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

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

#### *Number and remuneration of employees*

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

#### *Pledge of assets*

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

#### *Capital commitment*

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

***Exposure to foreign exchange***

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

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

***Financial instruments for hedging***

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

***Contingent liabilities***

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

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

The following unaudited pro forma statement of assets and liabilities of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared on the basis of the notes set out below for the purposes of illustrating the effects on the assets and liabilities of the Group as if the Transactions had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Group as at 31 December 2013 has been prepared based on (i) the audited consolidated statement of financial position of Paliburg as at 31 December 2013 as set out in its published annual report for the year ended 31 December 2013; and (ii) the pro forma adjustments prepared to reflect the effects of the Transactions as explained in the notes set out below that are directly attributable to the Transactions and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of Paliburg as set out in its published annual report for the year ended 31 December 2013, and other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Paliburg Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Transactions been completed as at 31 December 2013 or any future date.

## UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	The Group as at 31 December 2013					Pro forma Group HK\$'million
	(Note 1)	(Note 2)	Pro forma adjustments		(Note 5)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	19,345.0	—	—	—	—	19,345.0
Investment properties	1,715.4	—	—	—	—	1,715.4
Properties under development	1,308.6	—	—	—	—	1,308.6
Investments in associates	27.6	—	—	—	—	27.6
Convertible bonds Available-for-sale investments	—	—	500.0(c)	500.0(c)	(1,000.0)	—
Loans receivable	18.3	—	—	—	—	18.3
Deposits and prepayments	8.4	—	—	—	—	8.4
Trademark	60.9	—	—	—	—	60.9
Goodwill	610.2	—	—	—	—	610.2
	261.0	—	—	—	—	261.0
Total non-current assets	23,355.4	—	500.0	500.0	(1,000.0)	23,355.4
<b>CURRENT ASSETS</b>						
Properties under development	5,750.4	—	—	—	—	5,750.4
Properties held for sale	1,513.3	—	—	—	—	1,513.3
Inventories	56.5	—	—	—	—	56.5
Debtors, deposits and prepayments	422.6	—	—	—	—	422.6
Loans receivable	6.7	—	—	—	—	6.7
Held-to-maturity investments	229.3	—	—	—	—	229.3
Financial assets at fair value through profit or loss	764.6	—	—	—	—	764.6
Derivative financial instruments	22.0	—	64.1(d)	(64.1)(d)	—	22.0
Tax recoverable	2.2	—	—	—	—	2.2
Restricted cash	51.9	—	—	—	—	51.9
Pledged time deposits and bank balances	433.2	—	—	—	—	433.2
Time deposits	1,143.9	—	—	—	—	1,143.9
Cash and bank balances	1,241.4	436.3 (a)	500.0 (a)	500.0 (a)	—	1,380.8
		(296.9)(b)	(500.0)(c)	(500.0)(c)	—	
Total current assets	11,638.0	139.4	64.1	(64.1)	—	11,777.4

**APPENDIX VI**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE GROUP**

	<b>The Group as at 31 December 2013</b>					<b>Pro forma Group</b>
	<b>Pro forma adjustments</b>					
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	<i>(Note 5)</i>	
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
<b>CURRENT LIABILITIES</b>						
Creditors and accruals	(511.7)	—	—	—	—	(511.7)
Deposits received	(27.0)	—	—	—	—	(27.0)
Interest bearing bank borrowings	(1,624.0)	—	—	—	—	(1,624.0)
Tax payable	(108.7)	—	—	—	—	(108.7)
<b>Total current liabilities</b>	<b>(2,271.4)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2,271.4)</b>
<b>NET CURRENT ASSETS</b>	<b>9,366.6</b>	<b>139.4</b>	<b>64.1</b>	<b>(64.1)</b>	<b>—</b>	<b>9,506.0</b>
<b>TOTAL ASSETS LESS</b>						
<b>CURRENT LIABILITIES</b>	<b>32,722.0</b>	<b>139.4</b>	<b>564.1</b>	<b>435.9</b>	<b>(1,000.0)</b>	<b>32,861.4</b>
<b>NON-CURRENT LIABILITIES</b>						
Creditor and deposits received	(13.9)	—	—	—	—	(13.9)
Interest bearing bank borrowings	(5,599.8)	—	—	—	—	(5,599.8)
Other borrowings	(4,200.5)	—	—	—	—	(4,200.5)
Convertible bonds	—	—	(500.0)(a)	(500.0)(a)	1,000.0	—
Derivative financial instruments	(4.1)	—	(64.1)(b)	64.1 (b)	—	(4.1)
Deferred tax liabilities	(2,322.4)	—	—	—	—	(2,322.4)
<b>Total non-current liabilities</b>	<b>(12,140.7)</b>	<b>—</b>	<b>(564.1)</b>	<b>(435.9)</b>	<b>1,000.0</b>	<b>(12,140.7)</b>
<b>Net assets</b>	<b>20,581.3</b>	<b>139.4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>20,720.7</b>

*Notes:*

- (1) The balances have been extracted from the audited consolidated statement of financial position of Paliburg as at 31 December 2013 as set out in its published annual report for the year ended 31 December 2013.
- (2) The following adjustments represent:
- (a) the estimated net cash proceeds of HK\$436.3 million (after deducting the estimated expenses of HK\$3.5 million) receivable by Cosmopolitan from the Cosmopolitan Open Offer assuming that all Cosmopolitan Qualifying Shareholders have taken up their pro-rata Cosmopolitan Open Offer Entitlements and no Cosmopolitan Qualifying Shareholder has elected to receive Cosmopolitan Convertible Preference Shares.
- (b) the cash consideration of HK\$296.9 million payable by the P&R Group to Cosmopolitan for taking up its Cosmopolitan Open Offer Entitlements.

- (3) The following adjustments represent:
- a. the cash consideration of HK\$500.0 million receivable by Cosmopolitan upon the issuance of the Cosmopolitan Convertible Bonds to the P&R Group and the recognition of the Cosmopolitan Convertible Bonds as non-current liabilities by Cosmopolitan at the same amount assuming that the cash consideration represents the fair value of the liability portion of the Cosmopolitan Convertible Bonds and nil value for the equity portion of the Cosmopolitan Convertible Bonds (if any) at initial recognition and at 31 December 2013.
  - b. the recognition of a derivative financial instrument liability of HK\$64.1 million (valued on 31 May 2014 based on a valuation performed by an independent firm of professionally qualified valuers) at initial recognition and at 31 December 2013 by Cosmopolitan in respect of its grant of an option to the P&R Group to subscribe for the Cosmopolitan Optional Convertible Bonds in a principal amount of up to HK\$500.0 million under the Cosmopolitan Convertible Bonds Subscription Agreement.
  - c. the cash consideration of HK\$500.0 million payable by the P&R Group for the subscription of the Cosmopolitan Convertible Bonds and the recognition of the Cosmopolitan Convertible Bonds as non-current assets by the P&R Group at the same amount assuming that the cash consideration represents the fair value of the Cosmopolitan Convertible Bonds at initial recognition and at 31 December 2013.
  - d. the recognition of a derivative financial instrument asset of HK\$64.1 million (assuming the same fair value as the derivative financial instrument liability of Cosmopolitan) at initial recognition and at 31 December 2013 by the P&R Group in respect of its entitlement to an option to subscribe for the Cosmopolitan Optional Convertible Bonds in a principal amount of up to HK\$500.0 million under the Cosmopolitan Convertible Bonds Subscription Agreement.
- (4) The followings represent adjustments to the Group's assets and liabilities assuming that the Cosmopolitan Optional Convertible Bonds were subscribed for the maximum principal amount of HK\$500.0 million on 31 December 2013:
- a. the cash consideration of HK\$500.0 million receivable by Cosmopolitan upon the issuance of the Cosmopolitan Optional Convertible Bonds to the P&R Group and the recognition of the Cosmopolitan Optional Convertible Bonds as non-current liabilities by Cosmopolitan at the same amount assuming that the cash consideration represents the fair value of the liability portion of the Cosmopolitan Optional Convertible Bonds and nil value for the equity portion of the Cosmopolitan Optional Convertible Bonds (if any) at initial recognition and at 31 December 2013.
  - b. the derecognition of the derivative financial instrument liability of HK\$64.1 million by Cosmopolitan assuming the exercise by the P&R Group of an option to subscribe for the Cosmopolitan Optional Convertible Bonds in a principal amount of up to HK\$500.0 million under the Cosmopolitan Convertible Bonds Subscription Agreement.
  - c. the cash consideration of HK\$500.0 million payable by the P&R Group for the subscription of the Cosmopolitan Optional Convertible Bonds and the recognition of the Cosmopolitan Optional Convertible Bonds as non-current assets by the P&R Group at the same amount assuming that the cash consideration represents the fair value of the Cosmopolitan Optional Convertible Bonds at initial recognition and at 31 December 2013.
  - d. the derecognition of the derivative financial instrument asset of HK\$64.1 million by the P&R Group assuming the exercise of the option granted by Cosmopolitan to subscribe for the Cosmopolitan Optional Convertible Bonds in a principal amount of up to HK\$500.0 million under the Cosmopolitan Convertible Bonds Subscription Agreement.
- (5) The adjustments represent the derecognition of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds by Cosmopolitan (recognised as non-current liabilities) and by the P&R Group (recognised as non-current assets) assuming full conversion of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds into Cosmopolitan Conversion Shares and Cosmopolitan Optional Conversion Shares, respectively, on 31 December 2013.



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

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



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25 June 2014

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

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

Dear Sirs

We have completed our assurance engagement to report on the compilation of pro forma financial information of Paliburg Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Group as at 31 December 2013, and related notes as set out on pages VI-1 to VI-4 of the circular dated 25 June 2014 (the “**Circular**”) issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page VI-1 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the transactions (the “**Transactions**”) as defined in the Circular on the Group’s financial position as at 31 December 2013 as if the Transactions had taken place at 31 December 2013. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2013, on which an annual report has been published.

**Directors' responsibility for the Pro Forma Financial Information**

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

**Reporting Accountants' responsibilities**

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

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

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

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

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

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

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

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

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

**Opinion**

In our opinion:

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

Yours faithfully  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

## 1. RESPONSIBILITY STATEMENT

This circular, for which the 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

### Paliburg Directors, chief executive and senior management

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

*Long positions in the shares and underlying shares of Paliburg and its associated corporations*

Paliburg/Name of associated corporation	Name of Paliburg Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Corporate interests	Family/ Other interests		
1. Paliburg	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,376,803 <i>(Note b)</i>	15,000	830,469,817 (74.48%)	
	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 VII**
**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)	100,587,396	1,769,164,691 <i>(Note a)</i>	380,683	1,870,132,770 (58.25%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)
	Miss Lo Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.003%)
	Mr. Ng Siu Chan	Ordinary (issued)	—	—	3,521,973	3,521,973 (0.11%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)
3. Regal	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	575,449,261 <i>(Note c)</i>	260,700	575,734,161 (61.69%)
	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)	—	14,845,167,190 <i>(Note e)</i>	—	14,845,167,190
		(ii) (unissued)	—	70,761,809,500 <i>(Note f)</i>	—	70,761,809,500
						Total: 85,606,976,690 (389.33%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	7,500,000	—	—	7,500,000 (0.03%)
	Miss Lo Po Man	Ordinary (issued)	4,600,000	—	—	4,600,000 (0.02%)
5. Regal REIT	Mr. Lo Yuk Sui	Units (issued)	—	2,443,033,102 <i>(Note g)</i>	—	2,443,033,102 (75.00%)
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**”) and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (b) The interests in 693,618,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 58.24% shareholding interests as at the Latest Practicable Date.

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

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

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

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

- (c) The interests in 421,400 issued ordinary shares of Regal were held through companies wholly owned by Century City, in which Mr. Lo held 58.24% shareholding interests as at the Latest Practicable Date, and the interests in the other 575,027,861 issued ordinary shares of Regal were held through companies wholly owned by Paliburg, in which Century City held 62.21% shareholding interests as at the Latest Practicable Date.
- (d) The interests in 269,169 issued ordinary shares of Regal were held by Miss Lo Po Man as the beneficiary of a trust.
- (e) The interests in 14,845,167,190 issued ordinary shares of Cosmopolitan were held through wholly-owned subsidiaries of P&R, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries. Paliburg, in which Century City held approximately 62.21% shareholding interests as at the Latest Practicable Date, held approximately 61.61% shareholding interests in Regal as at the Latest Practicable Date. Mr. Lo held approximately 58.24% shareholding interests in Century City as at the Latest Practicable Date.
- (f) (i) The derivative interests in Cosmopolitan Consolidated Shares (information disclosed above in respect of 43,976,095,220 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Cosmopolitan Share Consolidation becoming effective) were acquired on 30 April 2014 through the provision of the Irrevocable Undertaking by P&R and the entering into of the Underwriting Agreement by P&R Strategic Limited as the Underwriter in connection with the Cosmopolitan Open Offer.
- (ii) The derivative interests in Cosmopolitan Consolidated Shares (information disclosed above in respect of 26,785,714,280 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Cosmopolitan Share Consolidation becoming effective) were acquired on 30 April 2014 through the entering into of the Cosmopolitan Convertible Bonds Subscription Agreement by P&R in connection with the issue by a wholly-owned subsidiary of Cosmopolitan of the Cosmopolitan Convertible Bonds with a principal amount of HK\$500 million and the Cosmopolitan Optional Convertible Bonds with a principal amount of HK\$500 million. The Cosmopolitan Convertible Bonds will be convertible into Cosmopolitan Conversion Shares at the Cosmopolitan CB Conversion Price (HK\$0.35 per Cosmopolitan Conversion Share) (subject to adjustment). The Cosmopolitan Optional Convertible Bonds will be convertible into Cosmopolitan Optional Conversion Shares at the Cosmopolitan Optional CB Conversion Price (HK\$0.40 per Cosmopolitan Optional Conversion Share) (subject to adjustment).
- (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 were held as to approximately 67.51% shareholding interests by P&R, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries, as at the Latest Practicable Date. Paliburg, in which Century City held approximately 62.21% shareholding interests as at the Latest Practicable Date, held approximately 61.61% shareholding interests in Regal as at the Latest Practicable Date. Mr. Lo held approximately 58.24% shareholding interests in Century City as at the Latest Practicable Date.

- (h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.24% shareholding interests as at the Latest Practicable Date, 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.

### Substantial shareholders

As at Latest Practicable Date, so far as is known to the Paliburg Directors and the chief executive of Paliburg, the following substantial shareholders (not being a Paliburg Director or the chief executive of Paliburg) had an interest or short position in the shares and underlying shares of Paliburg as recorded in the register required to be kept under section 336 of the SFO or notified to Paliburg pursuant to the SFO:

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

*Notes:*

- (i) Mr. Lo Yuk Sui directly and indirectly held 58.24% shareholding interests in Century City as at the Latest Practicable Date, and the interests in these ordinary shares of Paliburg held by Century City through its wholly-owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of Paliburg as disclosed under the section headed “Paliburg Directors, chief executive and senior management” above.

- (ii) These companies are wholly-owned subsidiaries of Century City and their interests in the ordinary shares of Paliburg were included in the interests held by Century City.

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, 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.
- (2) 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 CCBVI, Almighty and Cleverview.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Paliburg Directors and the chief executive of Paliburg, no other Paliburg Directors 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, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

### **3. OTHER INTERESTS OF DIRECTORS**

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

(a) **Interests in service contracts**

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

(b) **Interests in assets**

none of the Paliburg Directors had any direct or indirect interest in any assets which have, since 31 December 2013, being the date of the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to, any member of the 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 Group, which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.



#### 4. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed above, 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 Group other than those businesses to which the Paliburg Directors and their associates were appointed to represent the interests of Paliburg and/or the Group.

#### 5. LITIGATION

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

#### 6. EXPERT AND CONSENT

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

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants

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

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

As at the Latest Practicable Date, Ernst & Young did not have, nor had had, any direct or indirect interest in any assets which have since 31 December 2013 (being the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### 7. MATERIAL CONTRACT

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

- (a) The entrusted loan agreement dated 11 October 2013 entered into between Shenzhen Leading Technology Co., Ltd. (深圳創先智能科技有限公司) (as the lender), Shenzhen Zhuyuan Enterprise Co., Ltd.\* (深圳竹園企業有限公司) (as the borrower) and Bank of China Limited, Shenzhen Sub-Branch (as the lending agent) in relation to the entrusted loan in the principal amount of up to RMB200 million.

\* For identification purpose only

**8. MISCELLANEOUS**

- (a) The registered office of Paliburg is at 26 Burnaby Street, Hamilton HM 11, 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 registrar of Paliburg in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the above head office and principal place of business of Paliburg in Hong Kong from the date of this circular up to 14 July 2014 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 2012 and 2013;
- (c) the letter from Ernst & Young on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix VI to this circular;
- (d) the written consent of Ernst & Young referred to in the paragraph headed "Expert and consent" in this Appendix VII;
- (e) the material contract referred to in the paragraph headed "Material contract" in this Appendix VII;
- (f) the Irrevocable Undertaking;
- (g) the Underwriting Agreement;
- (h) the Cosmopolitan Convertible Bonds Subscription Agreement; and
- (i) this circular.