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

If you have sold or transferred all your shares in **Century City International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy 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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VERY SUBSTANTIAL ACQUISITION

**(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

Century City International Holdings Limited

 **SOMERLEY CAPITAL LIMITED**

A letter from the board of directors of Century City International Holdings Limited is set out on pages 8 to 14 of this circular.

The notice convening the SGM to be held at the Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 14 July 2014 at 10:45 a.m. is appended to this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Century City's branch registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

25 June 2014

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DEFINITIONS

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 Board”	the board of Century City Directors
“Century City Director(s)”	the director(s) of Century City
“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
“Century City Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Century City
“Century City Shareholder(s)”	the holder(s) of the Century City Share(s)
“Companies Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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

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“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
“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

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“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
“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

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“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
“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”	Century City 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 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

DEFINITIONS

“Last Trading Day”	30 April 2014, being the last whole trading day which was immediately prior to the release of the Joint Announcement
“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 Group”	Paliburg and its subsidiaries and, for the purpose of this circular, excluding the Regal Group, the P&R Group and the Cosmopolitan Group
“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)

DEFINITIONS

“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
“REIT Trustee”	DB Trustees (Hong Kong) Limited, as trustee of Regal REIT
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of Century City convened to be held on Monday, 14 July 2014 at 10:45 a.m. to consider and, if thought fit, approve the P&R Group’s participation in the Cosmopolitan Open Offer, the subscription of the Cosmopolitan Convertible Bonds and the possible subscription of the Cosmopolitan Optional Convertible Bonds
“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

DEFINITIONS

“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.

LETTER FROM THE CENTURY CITY BOARD



世紀城市國際控股有限公司
Century City

International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 355)

Executive Century City Directors:

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)

Mr. Jimmy LO Chun To (*Vice Chairman*)

Miss LO Po Man (*Vice Chairman*)

Mr. Kenneth NG Kwai Kai (*Chief Operating Officer*)

Mr. Donald FAN Tung

Mr. Kelvin LEUNG So Po

Independent non-executive Century City Directors:

Mr. Anthony CHUANG

Mr. NG Siu Chan

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 Century City Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

**(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

LETTER FROM THE CENTURY CITY BOARD

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 set out in the Cosmopolitan Convertible Bonds Subscription Agreement.

On 30 April 2014 (after trading hours), Cosmopolitan, a listed subsidiary of Century City, 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 Century City, 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.

LETTER FROM THE CENTURY CITY BOARD

The purpose of this circular is to provide the Century City Shareholders with further information in relation to the proposed subscription of the 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 and notice of the SGM.

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 TRANSACTIONS

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.

LETTER FROM THE CENTURY CITY BOARD

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 Century City 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 Century City 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 Century City 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

LETTER FROM THE CENTURY CITY BOARD

out planned continuing expansion of its asset portfolio. Over time, as the asset portfolio of the Cosmopolitan Group matures, the Century City Board anticipates the Century City 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 subscriptions of these convertible bonds through the collection of coupon interests of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds, the Century City Directors (including the independent non-executive Century City 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 Century City and the Century City 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 Paliburg and Cosmopolitan, Cosmopolitan will continue to be a listed subsidiary of Century City 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.

LETTER FROM THE CENTURY CITY BOARD

LISTING RULES IMPLICATIONS

P&R is a non wholly-owned subsidiary of Century City and is a joint venture owned as to 50% by Regal and 50% by Paliburg. 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 its 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 constitute a very substantial acquisition for Century City (after aggregating the relevant transactions in the last 12 months immediately preceding the date of the Joint Announcement) under the Listing Rules. Accordingly, Century City is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. No Century City Shareholder has a material interest in the Transactions and is required to abstain from voting at the SGM.

Century City 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 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.

SGM

Century City will convene the SGM for the purpose of considering and, if thought fit, approving the Transactions. The Century City Directors recommend the Century City Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Transactions.

A form of proxy for use at the SGM is enclosed to this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Century City's branch registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

LETTER FROM THE CENTURY CITY BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the board of
Century City International 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">- shares of Cosmopolitan,- securities carrying rights to subscribe for, convert or exchange into shares of Cosmopolitan or voting rights,- other shares or rights carrying the right to acquire same voting rights, or- debt securities (the “Offered Securities”) 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">(i) a premium of approximately 250.0% over the Cosmopolitan Subscription Price;(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;(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;

- (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 49 to 140 of the annual report of Century City for the year ended 31 December 2011, on pages 47 to 163 of the annual report of Century City for the year ended 31 December 2012 and pages 66 to 185 of the annual report of Century City for the year ended 31 December 2013, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of Century City (www.centurycity.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 certain of the Group's 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 Century City 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 Century City 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

For the purpose of this section only, the Paliburg Group means Paliburg and its subsidiaries.

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 Paliburg 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 Paliburg Group as a whole substantial cash flow and profit contribution. Moreover, the Paliburg 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 directors of Paliburg are optimistic of the continuing growth and prospects of the Paliburg Group.

The Group

The Group as a whole has over the past years expanded substantially in asset size and business scope through new acquisitions and investments in new businesses. After the completion of the series of corporate restructurings, including the takeover of Cosmopolitan, the roles and business focuses of different members of the Group are now more clearly delineated and strategically positioned to capture growth opportunities. The Group will continue to closely monitor the capital and investment markets for any appropriate opportunities that can facilitate the continuing development of the Group. The Group believes that the economies in Hong Kong and the PRC will continue to grow and has committed significant investments in the region. The Century City Directors are hopeful that when all these new investments gradually mature, the overall financial strength and profitability of the Group will be elevated to a new dimension.

VI. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

For the purpose of this section only, the Century City Group means Century City and its subsidiaries and the Paliburg Group means Paliburg and its subsidiaries.

FOR THE YEAR ENDED 31 DECEMBER 2011**(A) Business review**

The Century City Group's significant investments and principal business activities mainly comprise property development and investment (including through the joint venture in P&R), construction and building related businesses and other investments including, in particular, its interests in Regal, the listed associate of Century City, which are held through Paliburg, the listed subsidiary of Century City. The significant investments and business interests of Regal comprise hotel ownership through Regal (the listed subsidiary of Regal), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including through the joint venture in P&R and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

For the year ended 31 December 2011, the Century City Group achieved a consolidated profit attributable to shareholders of HK\$889.8 million, as compared to the profit of HK\$1,287.1 million attained in 2010.

When reviewing the comparative results, it should be noted that a very significant part of the profit attained in 2010 was related to a one-off accounting gain recognised by Regal, the listed associate of the Century City Group held through Paliburg, the listed subsidiary of the Century City Group, on the consolidation of Regal REIT as a subsidiary of Regal in July 2010.

With the aggregate cash proceeds of over HK\$320 million brought in by the exercise of the 2011 Warrants (as referred below) over the years, the Century City Group's financial position has been further strengthened. Due to the uncertainty overshadowing the financial and capital markets in most part of 2011, the Century City Group has remained prudent in committing to major investment proposals, apart from the property acquisitions undertaken through Paliburg and its affiliates.

As mentioned in the interim report of Century City for the six months ended 30 June 2011, the Century City Group launched in August 2011 conditional mandatory cash offers for the shares and certain other securities of KH Investment Holdings Limited ("**KH Investment**"), a company listed on the Growth Enterprise Market in Hong Kong. The share offer was made at a price of HK\$0.25 per share, which represented the highest price paid by the Century City Group for the shares acquired in KH Investment. Including the additional shares acquired by the Century City Group under the share offer, the Century City Group held in aggregate approximately 52.9% of the issued shares of KH Investment in September 2011.

On 30 December 2011, the Century City Group entered into a transaction to dispose of approximately 45.9% of the issued shares of KH Investment to a substantial shareholder of KH Investment at a price of HK\$0.35 per share. After the completion of the transaction, the Century City Group's shareholding interest in KH Investment has been reduced to approximately 7.0% and KH Investment ceased to be a subsidiary of the Century City Group.

The acquisition of shares in KH Investment has all along been contemplated as a strategic investment. The Century City Group considered that the disposal transaction represented a good opportunity for the Century City Group to realise a majority portion of its investment in KH Investment at a reasonable profit within a relatively short span of time. The Century City Group will continue to consider undertaking strategic investments in other listed and/or unlisted entities, whether in Hong Kong or elsewhere, if appropriate opportunities are available.

In December 2011, a wholly-owned subsidiary of the Century City Group participated in the establishment in Chongqing, the PRC a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P.. The fund was established as a limited partnership and a total amount of RMB250 million have been raised. A wholly-owned subsidiary of the Century City Group acts as the general partner of the fund and holds a very minor interest in the partnership. The remainder of the funds raised was subscribed by two wholly-owned subsidiaries of P&R (formerly known as Flourish Lead Investments Limited), a joint venture company established and equally owned by Paliburg and Regal, and the investment objective of the fund is principally to support the businesses undertaken by P&R in the PRC. Presently, the Century City Group is also taking steps to establish in Chengdu, Sichuan, the PRC entities that will have the capacities to engage in the provision of financial services in the PRC.

As at 31 December 2011, Century City beneficially held approximately 60.3% of the issued shares of Paliburg, which held approximately 49.4% of Regal. Regal, in turn, owned approximately 74.5% of the issued units of Regal REIT, which has become a subsidiary of Regal in July 2010. The financial results and operating performance of Paliburg, Regal and Regal REIT during the year under review are set out below.

Paliburg

(i) Business overview

For the year ended 31 December 2011, Paliburg achieved a consolidated profit attributable to shareholders of HK\$1,484.2 million, as compared to the profit of HK\$2,150.5 million attained in 2010.

The profit achieved in the year under review was principally attributable to the profit contribution from the Larvotto joint venture while, for the previous financial year, a very significant part of the profit attained was related to a one-off accounting gain recognised by Regal, the listed associate of the Paliburg Group, on the consolidation of Regal REIT as a subsidiary of Regal in July 2010.

(ii) Properties

The Paliburg Group has a 30% interest in Larvotto, the luxury residential development at Ap Lei Chau Inland Lot No. 129, Hong Kong. As mentioned in the interim report of Paliburg for the six months ended 30 June 2011, most of the residential apartments and a majority of the car parks have been sold, with total sale consideration exceeding HK\$16 billion. The share of the net cash proceeds attributable to the Paliburg Group has been received and the corresponding profit

already reflected in the financial statements of the Paliburg Group for the year under review. Save for the comparatively minor distribution yet to be received from the disposal of the remaining units, the Paliburg Group's investment in the Larvotto joint venture project can virtually be regarded as having been successfully completed.

In April 2011, Flourish Lead Investments Limited was established by Regal and Paliburg as a 50:50 owned joint venture for the development of real estate projects for sale and/or leasing, which has now been renamed as P&R. P&R has since its establishment acquired a total of 3 sites in Hong Kong, two of which are located in Sheung Wan District and were acquired from the Paliburg Group, while the other one is located in North Point and was acquired from a third party. All the three sites are planned for hotel developments. In June 2011, P&R further acquired a 70% effective interest in the composite development in Xindu District, Chengdu, Sichuan, which was previously owned by the joint venture entity 50:50 held by each of Regal and Cosmopolitan.

Later in September 2011, through one of its wholly-owned subsidiaries, P&R has successfully acquired at a government land auction another development site at Tan Kwai Tsuen Road, Yuen Long, New Territories, which is intended to be developed into residential houses and apartments.

(iii) Construction and building related business

The Paliburg Group operates a comprehensive range of construction and other building related businesses. Although overall business volume has relatively contracted due to keen market competition, these operating units are providing to the Paliburg Group and its affiliates strong logistic support on different essential aspects of the property development and related businesses. Apart from the professional services rendered by the development consultancy unit, Chatwin Engineering Limited, the Paliburg Group's construction arm, has recently been awarded, after a competitive tendering process, the main contract for the hotel construction works at Nos.132-140 Bonham Strand in Sheung Wan being developed by P&R.

(iv) Other investments

As at 31 December 2011, the Paliburg Group held, as long term strategic investments, 17.1% of the issued shares and certain convertible bonds of Cosmopolitan. Like most other financial assets, these holdings of shares and convertible bonds of Cosmopolitan are stated in the financial statements at their fair values based on the traded price of the Cosmopolitan Shares and, in the case of the convertible bonds, valued by an independent professional valuer. On account of the fluctuation in the traded price of the Cosmopolitan Shares, the changes in the fair values of the Paliburg Group's holdings in the shares and convertible bonds of Cosmopolitan have been relatively substantial. Due to the weak performance of the stock market in Hong Kong in 2011 and the fall in the traded price of the Cosmopolitan Shares, the fair values of the shares and convertible bonds of Cosmopolitan have substantially declined. This has resulted in a loss on changes in fair values of approximately HK\$630.5 million, which more than reversed the

corresponding profit of approximately HK\$466.6 million recorded in the previous year. Although the investments in Cosmopolitan are held for long term strategic purpose and the loss resulting from the changes in their fair values is non-cash flow in nature, such changes have nevertheless adversely impacted the results of the Paliburg Group for the year under review.

Regal

For the year ended 31 December 2011, Regal achieved a consolidated profit attributable to shareholders of HK\$107.9 million, as compared to the HK\$6,928.8 million attained in 2010. However, as previously explained, a very significant part of the profit attained last year was related to a one-off accounting gain of HK\$6,637.4 million recognised on the consolidation of Regal REIT as a subsidiary of Regal in July 2010.

During the year under review, the performance of the core hotel operations of the Regal Group has improved substantially, with the gross operating profits of the hotel operations of the six hotels in Hong Kong owned by the Regal Group through Regal REIT having increased by about 31% to approximately HK\$852.5 million. Moreover, there were gains of over HK\$600 million from share of profits of jointly controlled entities, which were principally derived from the transaction relating to the sale to P&R of 70% effective interest in the composite development in Chengdu, Sichuan by a jointly controlled entity that is 50%-owned by the Regal Group.

The Regal Group recorded losses of approximately HK\$822.8 million on the changes in the fair values of its portfolio of financial assets, including in particular its long term holdings in the convertible bonds and shares of Cosmopolitan. In addition, the five hotels leased to the Regal Group are owned by Regal REIT as investment properties, but they are treated by the Regal Group in its consolidated financial statements as fixed assets and depreciation charges in a total amount of HK\$351.2 million were required to be provided for these hotel properties in the financial year ended 31 December 2011. Although the fair value losses and depreciation charges are non-cash flow items, they have nevertheless adversely affected the financial results of the Regal Group for the year under review.

(i) Hotel

Market overview

The first half of 2011 saw positive signs of gradual recovery in the global economy, but the recovery pace was stalled in the second half by the intensifying strains in the sovereign debt crisis across the Euro-zone. Towards the end of 2011, the economy in the United States was able to regain some momentum as a result of an improved labour market and its monetary policy to maintain a low interest environment. As the second largest economy in the world, China's gross domestic product continued to expand by about 9.2% in 2011, although the growth rate has slowed down as compared to the past few years. Benefiting from its close economic ties with China and the resilience of its domestic economy, Hong Kong's gross domestic product has managed to grow by about 5% in 2011.

During 2011, tourist arrivals to Hong Kong hit a historical record of approximately 41.9 million, representing a 16.4% increase over the previous year. Visitors from Mainland China were still the strongest growth segment and accounted for about two-thirds of the total visitors to Hong Kong. The ever-growing affluence of the Chinese visitors have continued to drive market demands on the retail and lodging businesses in Hong Kong.

According to a hotel survey published by Hong Kong Tourism Board, the average hotel room occupancy rate for all the surveyed hotels in different categories for 2011 was 89%, a year-on-year increase of about 2.3%, while the average revenue per available room (“**RevPAR**”) improved by about 19%.

(ii) *Hotel ownership*

Regal REIT

The Regal Group’s hotel ownership business is undertaken through Regal REIT.

For the year ended 31 December 2011, Regal REIT achieved a consolidated net profit before distribution to its unitholders of HK\$2,997.3 million, which was an increase of about 200% over the comparative amount of HK\$997.1 million recorded for the year 2010. The significant improvement in the net profit achieved was principally attributable to the increase in the fair values of the five hotels leased to the Regal Group and held by Regal REIT as investment properties. Total distributable income of Regal REIT for the year amounted to approximately HK\$397.9 million, as compared to HK\$682.9 million for the preceding year.

However, as the five hotels leased to the Regal Group are treated by the Regal Group as fixed assets, they are stated in the Regal Group’s consolidated financial statements at their fair values as at the time when Regal REIT became a subsidiary of the Regal Group in July 2010, plus subsequent capital additions and deducting accumulated depreciation. Accordingly, any subsequent changes in their fair values, including those recorded by Regal REIT in its results for 2011, would not be reflected in the consolidated financial statements of the Regal Group. On the other hand and as mentioned above, depreciation charges in a total amount of HK\$351.2 million were required to be provided for such hotel properties in the financial year under review.

The annual base rent for the five hotels leased to the Regal Group, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel, for the year 2011 was HK\$560 million, as determined by a jointly appointed independent professional valuer. On account of the satisfactory operating results achieved by these hotels in 2011, Regal REIT received from the Regal Group additional variable rent of approximately HK\$116.0 million, based on 50% sharing of the excess of the aggregate net property income for the year over the annual base rent.

The annual base rent payable by the Regal Group for the year 2012 under the market rental package determined by the independent professional valuer was HK\$645 million, an increase of approximately 15.2% over the base rent for 2011, and likewise with an equal sharing of the excess net property income.

Regal REIT continues to invest in capital additions projects as an ongoing programme to upgrade the quality and standards of the rooms and facilities in the hotels. During 2011, over 450 guestrooms and suites across the five hotels and various ballrooms, function rooms and food and beverage outlets in the Regal Hongkong Hotel, Regal Kowloon Hotel and Regal Riverside Hotel have been renovated. Recently, government approvals have been obtained for the conversion of part of the second floor and the fourteenth floor at the Regal Oriental Hotel into 56 new additional rooms and interior fitting out plans are being finalised to convert these areas, which are now being used for food and beverage operations, into the more lucrative room business.

The sixth hotel owned by Regal REIT, the Regal iClub Hotel in Wanchai, is managed by the Regal Group's wholly-owned subsidiary but operated by Regal REIT itself. The hotel began full operation with 99 rooms and suites in December 2010 and has performed very well during the year. Year round occupancy was recorded at a level of about 96% and the RevPAR was about 41% higher than that attained in 2010.

Regal REIT recently concluded arrangements for a new 3-year HK\$4,500 million term loan facility, involving a syndicate of 12 local and international banks, to refinance the existing term loan facilities that will mature on 30 March 2012. Due to the changes in the financial market, the interest margin for the new term loan facility will be higher than that under the existing loan facilities, but the interbank interest rate is now much lower than the level when the interest rate swap and hedging arrangements were put in place for the existing facilities in 2007. Therefore, it is expected that there would be overall savings in the finance costs for the bank loans of Regal REIT, as compared with the effective loan interest paid in the previous years. Management of Regal REIT will closely monitor the interest rate market to determine whether and when it will be beneficial to put in place new interest rate swaps for the new term loan facility. The REIT Manager, a wholly-owned subsidiary of the Regal Group, acts as the manager for Regal REIT.

(iii) Hotel operations

The five hotels in Hong Kong leased by the Regal Group from Regal REIT have all performed very satisfactorily in the year under review. Their combined average occupancy rate has increased over the previous year by about 5.8% to 90.7%, with average RevPAR having at the same time improved by about 28.7%. Total gross operating profits for the five hotels for the year amounted to approximately HK\$822.7 million.

After adjusting its marketing strategy to increase market share, the occupancy rate for Regal Airport Hotel has increased year-on-year by about 11.1% to 86.7%, while its average RevPAR improved by about 17.9%. Having regard to the superior quality and standards of the Regal Airport Hotel as well as its strategic location, which for many consecutive years have been voted as the Best Airport Hotel in Asia Pacific and the World, the Regal Group considers that there is still further room for improvement in its overall profitability.

(iv) Hotel management

All the six hotels in Hong Kong are managed by Regal Hotels International Limited, a wholly-owned subsidiary of the Regal Group.

In China, there are presently seven hotels under operation which are managed by the Regal Group, of which four are in Shanghai, one in Chengdu, Sichuan, one in Dezhou, Shandong and the latest one in Guiyang, Guizhou, which was taken over and renamed as the Regal Poly Guiyang Hotel in October 2011. There are another six hotel projects with which the Regal Group has entered into management services contracts, which are in different stages of development. In the order of their targeted dates of opening, spreading out from late 2012 to the 3rd quarter of 2014, these hotel projects are, respectively, the 310-room Regal Yuhong Hotel in Zhengzhou, Henan, the 310-room Regal Xindu Hotel in Chengdu, Sichuan, the 260-room Regal Fanhua Center Hotel in Suzhou, Jiangsu, the 220-room Regal Financial Center Hotel in Foshan, Guangdong, the 300-room Regal Royale Hotel in Kunshan, Jiangsu and the 300-room Regal Wolong Hotel in Wuhan, Hubei.

The Regal Group will continue to invest additional management and financial resources to its management businesses in China, with a view to expanding its network to other major cities.

(v) *Properties*

Due to the tightening of market liquidity, the property market in Hong Kong was faced with some consolidation since the latter part of last year. Viewing from a longer term perspective, a cooling down of overheated demands with resultant stabilisation in price levels might indeed be beneficial to the development of a healthy and sustainable market.

The Regal Group still retains 19 houses in Regalia Bay, Stanley, Hong Kong, apart from the 2 houses contracted to be sold and scheduled for completion later this year. Three houses have been leased out during the year. The Regal Group will continue with the disposal of some houses if the price is considered.

Favourable but, in the meantime, may also consider leasing out further houses for rental income. As mentioned above, the Regal Group is the 50% joint venture partner of the Paliburg Group in P&R.

(vi) *Other investments*

The Regal Group held a sizable investment portfolio consisting primarily of listed securities. The Regal Group owned within this portfolio a substantial holding of convertible bonds due 2013 and a relatively minor interest in the Cosmopolitan Shares, which are held as long term strategic investments. For reasons already explained above, the fall in the traded price of the Cosmopolitan Shares and the resultant loss arising from the changes in the fair values of these investments have similarly adversely affected the results of Regal Group for the year under review.

Other investments

The Paliburg Group holds, as long term strategic investments, 17.1% of the issued shares of Cosmopolitan and certain convertible bonds issued by the Cosmopolitan Group. Due to the decreased market price of the Cosmopolitan Shares as compared with that prevailing as at 31

December 2010, the fair values of the Paliburg Group's investments in Cosmopolitan have substantially declined. Consequently, the fair value losses on financial assets recorded in the final results under review were mostly attributable to the Paliburg Group's investments in Cosmopolitan.

Joint venture — P&R

P&R is a 50:50 owned joint venture established by Paliburg and Regal in April 2011, with maximum total capital commitment presently capped at HK\$3,800 million. The maximum capital commitment for each of Paliburg and Regal is HK\$1,900 million, which is to be contributed on a pro-rata basis in accordance with their respective shareholdings in P&R. P&R has, since its establishment, acquired a number of property development projects. Further information relating to such property development projects is set out below:

(i) Hong Kong

Nos.132-140 Bonham Strand and

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan

In May 2011, P&R acquired two development sites from the Paliburg Group for an aggregate transaction consideration of HK\$752 million, which was equivalent to the then market valuations of the properties as appraised by an independent professional valuer appointed by P&R.

The development site at Nos.132-140 Bonham Strand, with a site area of approximately 5,430 square feet, is planned for the development of a hotel with 248 guestrooms and suites with gross floor area of approximately 79,800 square feet. The foundation works are being carried out and will soon be completed. The superstructure works for this hotel development will commence shortly and are expected to be completed in the fourth quarter of 2013.

The other development site is constituted by two adjoining properties at Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street having an aggregate site area of approximately 3,710 square feet. The general building plans for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 56,350 square feet, have been approved. The foundation works for this site have commenced and completion of the hotel development is presently anticipated for the fourth quarter of 2014.

Nos.14-20 Merlin Street, North Point

The sale and purchase agreement entered into with an independent third party vendor in August 2011 for the purchase of the subject properties at a consideration of HK\$459.3 million was, upon delivery of vacant possession by the vendor, completed in September 2011. The properties have an aggregate site area of approximately 5,300 square feet and the plans for their

development into a hotel with about 351 guestrooms and suites, with total gross floor area of approximately 75,490 square feet, have been approved. Foundation works are currently in progress and this development project is scheduled for completion in the third quarter of 2014.

Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories

This development site was acquired at a land premium of HK\$361.0 million through a government public auction held in September 2011. The site has an area of approximately 120,470 square feet and is planned for a residential development with a total of 170 units, comprising 36 houses and 134 apartments, having an aggregate gross floor area of approximately 120,470 square feet. The building plans have been submitted to the government for approval.

(ii) *Mainland China*

Composite development project in Xindu District, Chengdu, Sichuan

The 70% interest in this property project was acquired by P&R in June 2011 from the jointly controlled entity that is 50:50 owned by the Regal Group and Cosmopolitan. The consideration payable by P&R was based on an agreed value of HK\$1,000 million, representing a discount of 12% to the appraised value as at 29 June 2011 of RMB1,350 million for the whole property project, which appraisal was carried out by an independent professional valuer jointly engaged by the vendor and P&R. Details of this transaction were contained in the joint announcement of Century City dated 30 June 2011.

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 438,000 square feet. Superstructural works for the hotel development is progressing and the first phase of hotel is presently scheduled to be soft opened in the second quarter of 2013. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total gross floor area of approximately 489,000 square feet. Superstructure works for this part of the development are also in progress, with overall construction works scheduled to be completed in the first quarter of 2013. Presale of the residential units is anticipated to be launched shortly in the second quarter of 2012. Development works for the other stages are planned to be carried out progressively.

Regal (Chongqing) Equity Investment Fund, L.P.

P&R have subscribed, through two of its wholly-owned subsidiaries, a total amount of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing)

Equity Investment Fund, L.P., in December 2011. The fund was established as a limited partnership and its investment objective is principally to support the businesses undertaken by P&R in China. A wholly-owned subsidiary of Century City acts as the general partner of the fund and holds a very minor interest in the partnership.

(iii) Other joint venture — Hang Fok Properties Limited

The joint development project in the Central Business District in Beijing, the PRC is held through Hang Fok Properties Limited (“**Hang Fok**”), an associate that is 50% owned by each of the Paliburg Group and the Regal Group. As previously reported, Hang Fok has been exercising strenuous efforts to set aside the earlier adverse arbitral award to rescind the previous agreements for the purchase by Hang Fok from the third party vendor of 36% interests in the PRC joint venture entities that hold the subject development site. Such efforts have unfortunately not been successful and the beneficial interests of Hang Fok in the PRC joint venture entities have effectively been reduced from 59% to 23%. Appropriate provision had already been made by Hang Fok in the financial year ended 31 December 2010 and the interest held by the Century City Group in this development project is now carried in the consolidated financial statements of the Century City Group at an insignificant amount. Nevertheless, the Century City Group’s management will persist in striving to protect the Century City Group’s interest in the project and to salvage potential value.

(B) Financial review

Capital and funding

(i) Funding and treasury policy

The Century City Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date.

As the Century City Group’s banking facilities were all denominated in Hong Kong dollar and US dollar currencies and in relatively insignificant amounts, and with interest primarily determined with reference to interbank offered rates, no hedging instruments for currency or interest rates purposes have been deployed during the year under review.

(ii) Cash flow

Net cash flows generated from operating activities during the year under review amounted to HK\$47.4 million. Net interest receipt for the year amounted to HK\$13.2 million.

(iii) Borrowings

As at 31 December 2011, the Century City Group had cash and bank balances and deposits, net of borrowings, of HK\$1,946.1 million.

As at 31 December 2011, excluding the interest bearing bank borrowings of HK\$146.0 million, the Century City Group had net cash and bank balances and deposits of HK\$1,946.1 million and therefore no gearing.

As at 31 December 2011, the held-to-maturity investment of HK\$73.4 million and certain ordinary shares in the listed subsidiary and the listed associate with market values of HK\$355.1 million and HK\$224.3 million respectively were pledged to secure general banking facilities granted to the Century City Group.

(iv) Contingent liabilities

As at 31 December 2011, the Century City Group had contingent liability not provided for in its financial statements that amounted to HK\$170 million which consisted of corporate guarantees, provided in respect of attributable share of banking facilities granted to a subsidiary of a jointly controlled entity.

(v) Share capital

During 2011, a total of 449,559,232 new Century City Shares were allotted and issued to the holders of the then outstanding warrants of Century City (the “**2011 Warrants**”) who exercised the subscription rights in an aggregate amount of HK\$215,788,436.58 attaching to the 2011 Warrants at the adjusted subscription price of HK\$0.48 per Century City Share. 2011 Warrants carrying aggregate subscription rights of HK\$7,214,265.04 had not been exercised by 4:00 p.m. on 11 January 2011, the expiry date of the subscription rights, and lapsed. The listing of the 2011 Warrants was withdrawn with effect from the close of trading hours of the Stock Exchange on 11 January 2011.

As previously reported, the share options granted to a Century City Director under “The Century City International Holdings Limited Share Option Scheme” of Century City (“**Century Share Option Scheme**”) on 12 May 2005, which entitled the holder thereof to subscribe for a total of 35,840,000 new Century City Shares at the adjusted exercise price of HK\$1.172 per Century City Share (subject to adjustment), had lapsed on the expiry of the exercise period of the share options on 11 May 2011.

Century City repurchased a total of 11,440,000 Century City Shares at an aggregate purchase price of HK\$5,420,020 on the Stock Exchange during the year under review. Except for 164,000 repurchased Century City Shares which were cancelled subsequent to the year end date, all other repurchased Century City Shares were cancelled during the year.

Material acquisitions or disposals of subsidiaries or jointly controlled entities

Splendor Glow Limited (the “**Offeror**”), a wholly-owned subsidiary of Century City, notified KH Investment, a company listed on the Growth Enterprise Market of the Stock

Exchange, on 12 July 2011 that it intended to make voluntary conditional cash offers (in compliance with the Takeovers Code) through Investec Capital Asia Limited, the financial adviser of Century City and the Offeror, (i) to acquire all the ordinary shares of HK\$0.01 each in the issued share capital of KH Investment (“**KH Shares**”) not already owned or agreed to be acquired by the Offeror, Century City and parties acting in concert with any of them at the offer price of HK\$0.25 per offer share; (ii) to acquire the convertible loan note due 24 September 2013 issued by KH Investment to Goldig Investment Group Limited, the outstanding principal amount of which as at 30 June 2011 was HK\$6,200,000 (“**CLN**”) at the CLN offer consideration of HK\$0.5133 for every HK\$1 face value of the CLN; and (iii) for the cancellation of the outstanding share options (“**KH Share Options**”) granted under the share option scheme of KH Investment approved and adopted by KH Investment on 6 March 2002 at the option offer consideration of HK\$0.00001 per share option. The making of the above offers constituted a discloseable transaction for Century City under Chapter 14 of the Listing Rules, subject to the reporting and announcement requirements under the Listing Rules.

On 22 August 2011, Aikford Financial Services Limited, a wholly-owned subsidiary of Century City, acquired additional 2,280,000 KH Shares at prices within a range of HK\$0.240 to HK\$0.246 per share on the market. Accordingly, the aggregate interest of the Offeror, Century City and parties acting in concert with them in the issued share capital of KH Investment increased from approximately 29.9% to approximately 30.3%. Pursuant to Note 9 to Rule 26.1 of the Takeovers Code, the Offeror was obliged to make a conditional mandatory cash offer to acquire all the KH Shares, the CLN and the KH Share Options not already owned or agreed to be acquired by the Offeror, Century City and parties acting in concert with any of them. Therefore, the nature of the offers changed from voluntary to mandatory.

By 7 September 2011, being the first closing date for acceptance of the mandatory conditional cash offers (the “**Offers**”) for, among others, the KH Shares, the Offeror received valid acceptances in respect of a total of 111,685,561 KH Shares under the Offers at the offer price of HK\$0.25 per share, and the aggregate interest of the Offeror, Century City and parties acting in concert with them increased from approximately 30.3% to 52.6%. Consequently, the Offers became unconditional in all respects on 7 September 2011, and the offer period of the Offers was extended to 21 September 2011 according to the Takeovers Code. Upon the closing of the Offers on 21 September 2011, the Offeror, Century City and parties acting in concert with them held an aggregate of 267,247,161 KH Shares, representing approximately 52.9% of the then issued share capital of KH Investment.

Details of the above offers for the securities of KH Investment were disclosed in the joint announcements made by Century City dated 13 July 2011, 17 August 2011, 22 August 2011, 7 September 2011 and 21 September 2011, respectively, and the composite offer and response document (the “**Composite Document**”) dated 17 August 2011 and the supplemental document to the Composite Document dated 23 August 2011 both issued by the Offeror, Century City and KH Investment.

On 30 December 2011, Century City reduced its shareholding interests in KH Investment from 52.9% to 6.97%, after selling a total of 232,000,000 KH Shares at an aggregate cash consideration of HK\$81.2 million, based on a purchase price of HK\$0.35 per share, by way of

private treaty arrangements. Following completion of the said disposal of KH Shares on 30 December 2011, KH Investment ceased to be a listed subsidiary of Century City. The disposal of KH Shares constituted a discloseable transaction for Century City under Chapter 14 of the Listing Rules, subject to the reporting and announcement requirements under the Listing Rules. Details of the disposal of shareholding interest in KH Investment were disclosed in the announcement of Century City dated 30 December 2011.

(i) *Establishment of joint venture — P&R*

As previously reported, on 17 March 2011, a conditional shareholders' agreement was entered into between Capital Merit Investments Limited (“**Capital Merit**”), a wholly-owned subsidiary of Paliburg, and Regal Hotels Investments Limited (“**Regal Investments**”), a wholly-owned subsidiary of Regal, in connection with the establishment of a joint venture company (the “**JV Co.**”) (the “**JV Shareholders' Agreement**”).

As contemplated under the JV Shareholders' Agreement, the JV Co. is to be owned by Capital Merit and Regal Investments on a 50:50 basis and treated as a jointly controlled entity of each of Paliburg and Regal. The scope of business of the JV Co. and its subsidiaries (together, the “**JV Group**”) principally includes the development of real estate projects for sale and/or leasing and the doing of such acts, matters and things as may be necessary for or ancillary or incidental to the principal business of the JV Group as aforesaid, and the undertaking of related investment and financing activities. The maximum total capital commitment to the JV Co. is HK\$3,800 million, which will be contributed by Capital Merit and Regal Investments in a maximum capital commitment of HK\$1,900 million each and on a pro-rata basis in accordance with their respective shareholdings in the JV Co.. The funding requirement by the JV Co. will be in stages and will be contributed in such amount and in such manner as determined by the board of directors of the JV Co.. The maximum capital commitment of each of the Paliburg Group and the Regal Group to the JV Co. in the amount of HK\$1,900 million is expected to be funded by each of the Paliburg Group and the Regal Group from internal resources.

As the maximum capital commitment of each of the Paliburg Group and the Regal Group to the JV Co. was more than 25% but less than 100% of the applicable percentage ratios, the transaction contemplated under the JV Shareholders' Agreement (the “**JV Formation**”) constituted a major transaction for each of Century City, Paliburg and Regal and was subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As no shareholder of either Century City or Paliburg was required to abstain from voting, each of Century City and Paliburg obtained a written approval from a closely allied group of their respective shareholders who together hold a majority shareholding interests, in lieu of a general meeting, for the JV Formation.

Further, as Paliburg and Capital Merit are connected persons of Regal, the JV Formation also constituted a connected transaction for Regal under Chapter 14A of the Listing Rules and was subject to the approval of the independent shareholders by way of poll at a special general

meeting of Regal. At the special general meeting held on 28 April 2011, the JV Formation was approved by the independent shareholders of Regal. Flourish Lead Investments Limited, which has been renamed as P&R since 6 March 2012, was then established as the JV Co. following the JV Shareholders' Agreement became unconditional on 28 April 2011.

Relevant details of the transactions under the JV Shareholders' Agreement were disclosed in the joint announcement dated 17 March 2011 and the circular dated 8 April 2011 of Century City.

Subsequent to its establishment and as was already indicated in the circular dated 8 April 2011, P&R acquired from the Paliburg Group certain property development projects in Hong Kong as the JV Group's starting projects. According to the terms of the JV Shareholders' Agreement, the acquisitions of these property development projects by P&R from the Paliburg Group were supported by independent market valuations and approved by the board of P&R with the directors nominated by Capital Merit abstaining from voting. These property development projects, which comprise the two development sites located at (i) Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong and (ii) Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong (collectively, the "**Sheung Wan Properties**"), were disposed to P&R through the transfer of 100% interests in two wholly-owned subsidiaries of the Paliburg Group to P&R pursuant to two respective sale and purchase agreements both dated and completed on 6 May 2011. The considerations were based on the market valuations of the Sheung Wan Properties as stated in the relevant valuation report issued by an independent valuer appointed by P&R, being HK\$455 million and HK\$297 million, respectively, and subject to adjustments for other assets and liabilities. The above transactions relating to the Sheung Wan Properties did not constitute notifiable transactions nor connected transactions for each of Century City, Paliburg or Regal under the Listing Rules.

(ii) Transfer of interests in a jointly controlled entity of Regal and Cosmopolitan to P&R

As also previously reported, on 30 June 2011, a sale and purchase agreement was entered into between Faith Crown Holdings Limited ("**Faith Crown**"), a jointly controlled entity owned as to 50% each by Regal and Cosmopolitan, as the vendor and P&R as the purchaser in relation to the transfer of 70% effective interests in the project for the development of a property complex at Xindu District, Chengdu, Sichuan Province, PRC (the "**2011 CD Project**"), held through certain wholly-owned subsidiaries of Faith Crown, to P&R, by way of the transfer of 70% interests in each of two relevant wholly owned subsidiaries of Faith Crown (the "**Relevant Subsidiaries**"), and together with their respective wholly-owned subsidiaries, the "**Subject Group**") to P&R (the "**2011 CD Transaction**") (the "**2011 CD Agreement**").

The consideration (comprising the considerations for the shares of the Relevant Subsidiaries and the loans to the Subject Group (the "**2011 CD Shareholder's Loans**")) for the 2011 CD Transaction (the "**2011 CD Consideration**") was approximately HK\$1,048 million, representing the aggregate amount of (i) HK\$1,000 million (being 70% of the agreed value of the 2011 CD Project, which was determined based on the appraised value of the 2011 CD Project of RMB1,350 million as stated in a valuation report from an independent professional valuer jointly

appointed by Faith Crown and P&R (the “**2011 CD Appraised Value**”) and after applying a discount of approximately 12% on the 2011 CD Appraised Value) and (ii) 70% of the combined consolidated net asset value of the Subject Group (excluding the 2011 CD Project and the 2011 CD Shareholder’s Loans) as at 31 May 2011, and subject to adjustments.

The 2011 CD Consideration was adjusted on a dollar-for-dollar basis based on the combined consolidated net asset value of the Subject Group (excluding the 2011 CD Project and the 2011 CD Shareholder’s Loans) as at 30 June 2011. The Consideration is payable in cash and by instalments pursuant to the terms of the 2011 CD Agreement. The last instalment will be paid within three years from the date of completion of the 2011 CD Transaction, and the payment of the last instalment may be extended to four years if the period to exercise the Put Option (as referred to below) is extended by the grantee.

The 2011 CD Agreement was unconditional and the completion of the 2011 CD Agreement took place on 14 July 2011.

On completion of the 2011 CD Agreement, a put option deed was executed by Faith Crown as the grantor and one of the Relevant Subsidiaries as the grantee in relation to the grant of an option (the “**Put Option**”), exercisable during the period of three years from the date of completion of the 2011 CD Agreement (extendable to four years by the grantee under certain circumstances), to sell (or procure the sale of) the hotel and commercial podium in the 2011 CD Project being constructed to Faith Crown (or the purchaser to be procured by Faith Crown).

The 2011 CD Transaction and the grant and possible exercise of the Put Option did not constitute notifiable transactions nor connected transactions for each of Century City, Paliburg or Regal under the Listing Rules. Relevant details of the transactions under the 2011 CD Agreement were disclosed in the voluntary joint announcement of Century City dated 30 June 2011.

Staff and remuneration policy

Based on the annual report of Century City for the year ended 31 December 2011, the Century City Group, together with the Regal Group, employed approximately 2,130 staff in Hong Kong. The Century City Group’s management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Century City 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 benefit plans maintained by the Century City Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, Century City and Paliburg maintain the Century Share Option Scheme and the share option scheme named as “The Paliburg Holdings Limited Share Option Scheme”, respectively, under which share options had been granted to selected eligible persons.

FOR THE YEAR ENDED 31 DECEMBER 2012

(A) Business review

The Century City 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, in particular, aircraft ownership and leasing business.

For the year ended 31 December 2012, the Century City Group achieved a consolidated profit attributable to shareholders of HK\$1,192.7 million, as compared to the corresponding profit of HK\$889.8 million attained in 2011.

The profit achieved in the year under review was mainly attributable to the one-off net accounting gain recognised by Paliburg, the listed intermediate subsidiary of Century City, on consolidating Regal, formerly a listed associate of Paliburg, based on the fair values of the assets and liabilities of Regal and its subsidiaries as at 7 May 2012, the date when Regal became a subsidiary of Paliburg and, in turn, of Century City.

During the past year, the Century City Group has taken various initiatives to diversify its investment and business portfolio.

As mentioned in the interim report of Century City for the six months ended 30 June 2012, a wholly-owned subsidiary of Century City acquired in July 2012, through subscription of shares in JAR Aviation Fund PCC Limited ("**JAR Aviation Fund**"), an independent professional investment fund established in Gibraltar, an effective 84.9% interest in a 1998 new generation model of Boeing 737-800 single aisle aircraft. The Century City Group has so far invested approximately US\$14.1 million in JAR Aviation Fund, which is managed by a professional investment adviser and a professional aircraft asset manager. The aircraft is presently under lease to an Asian airline company and yielding satisfactory returns. Taking advantage of this investment platform, the Regal Group also purchased in December 2012, for investment purpose, a 100% interest in an Airbus A321-211 aircraft manufactured in 1998 for a consideration of US\$10.5 million. This aircraft is similarly under the management of the professional investment adviser and aircraft asset manager and has recently been leased to an airline operator for lease income. Depending on market conditions and overall circumstances, the Century City Group as a whole may consider further investing in this new line of investment business.

Fund management and related investment businesses are the other line of new business that the Century City Group has been developing. A wholly-owned subsidiary of Century City first participated, as the general partner, in the establishment of the Regal (Chongqing) Equity Investment Fund, L.P. in Chongqing, China in December 2011, which has a fund size of RMB250 million and was subscribed by wholly-owned subsidiaries of P&R, a 50:50 joint venture owned by Paliburg and Regal. Further in July 2012, another investment fund was also established in Chongqing, the Chongqing Fudu Equity Investment Fund, L.P., with a fund size of RMB200 million, of which RMB198 million was subscribed by a major China state-owned enterprise as the limited partner and the remaining RMB2 million subscribed by the same wholly-owned subsidiary of Century City as the general partner of the

fund. Capitalising on its professional expertise and strong business network, the Century City Group plans to further expand in this business sector when suitable opportunities arise. Shareholders could note that as a result of the share repurchases by Regal under its share repurchase programme announced in April 2012, the shareholdings held by Paliburg and, effectively, of the Century City Group in Regal increased to over 50% on 7 May 2012. Consequently, the assets and liabilities of Regal (including its majority-owned Regal REIT) and their results since 7 May 2012 have been consolidated into the financial statements of the Century City Group. With Century City as the ultimate holding company, the Century City Group as a whole now comprises a total of four listed members. The respective financial results and operating performance of the major subsidiaries of the Century City Group are highlighted below.

Paliburg

(i) Business overview

For the year ended 31 December 2012, Paliburg achieved a consolidated profit attributable to shareholders of HK\$2,294.3 million, as compared to the profit of HK\$1,484.2 million attained in 2011. As mentioned above, the profit achieved by Paliburg in the year under review was mainly attributable to the one-off net accounting gain recognised on consolidating Regal as a subsidiary during the year.

Apart from the strategic controlling shareholding in Regal, the Paliburg Group focuses its core businesses primarily on property developments and investments. It has during the year been actively seeking appropriate new acquisitions with a view to replenishing its property portfolio and has made substantive progress. A majority of the new acquisitions have been undertaken through P&R, which was formed as a 50:50 joint venture of Paliburg and Regal in April 2011 primarily to undertake property developments for sale and/or leasing. As Regal became a subsidiary of Paliburg, the status of P&R has since also been transformed from a jointly controlled entity into a subsidiary undertaking. Having regard to the combined financial resources and professional expertise available to P&R, it is expected that P&R may continue to take on further new acquisitions.

(ii) Properties

P&R is presently undertaking five development projects, four of which are in Hong Kong and the other one is a large scale composite development in Chengdu, Sichuan, China. Of the four development projects in Hong Kong, three are hotel redevelopments, with two located in Sheung Wan and one in North Point, while the other development project is a residential development in Yuen Long. One of the hotel redevelopment projects in Sheung Wan, located at Bonham Strand, is scheduled to be completed in the second half of this year and the one at Merlin Street in North Point is anticipated for completion in the first half of 2014.

In December 2012, a wholly-owned subsidiary of Regal entered into a provisional agreement with a third party vendor for the purchase of the properties located at Ha Heung Road, To Kwa Wan, Kowloon, which is also planned for hotel redevelopment. As the other three hotel redevelopment projects in Hong Kong are already undertaken through P&R, it was considered to

be more efficient and beneficial that this new acquisition would also be undertaken by P&R. Accordingly, P&R acquired from the Regal Group at cost its equity interests in that purchaser entity on 28 February 2013 and, on that same date, a formal sale and purchase agreement was concluded with the vendor for the purchase of the subject properties at a consideration of HK\$464.3 million. It is presently intended by P&R that the property will be redeveloped into a hotel with a proposed gross floor area of about 6,298 square meters (67,790 square feet) and with not more than 340 hotel rooms as approved by the Town Planning Board.

The Paliburg Group owns a 30% interest in the luxury residential development at Larvotto in Ap Lei Chau. All the units in this development, except for 8 special featured apartment units and some 80 car parks, have been sold and completed. After the year end date, 2 of the remaining apartment units and 5 car parks have been sold pending completion and it is anticipated that the other remaining units and car parks will continue to be disposed of gradually.

(iii) Construction and building related business

The Paliburg Group's development consultancy arm is providing professional services on the architectural, engineering and interior design work for all the property development and hotel renovation projects undertaken by different member companies. In the meantime, the Paliburg Group's construction arm, Chatwin Engineering Limited, is presently undertaking the main contract works for the development projects of P&R at Bonham Strand in Sheung Wan and at Merlin Street in North Point, both awarded through competitive tender processes.

(iv) Other investments

The Paliburg Group itself holds a substantial portfolio of investments in a wide range of listed securities, bonds and other financial instruments. It holds within this portfolio, as long term strategic investments, a 17.1% shareholding interest in as well as certain convertible bonds of Cosmopolitan. In addition, Regal also holds substantial convertible bonds and a relatively minor shareholding interest in Cosmopolitan. These convertible bonds were previously due for repayment on 14 February 2013 but the relevant parties have entered into extension agreements in November 2012 to extend the maturity dates to 30 September 2013. With the approval, among others, of the independent shareholders of Regal obtained at its special general meeting held in January 2013, the extension agreements have since become effective. If all these convertible bonds are converted and assuming there are no changes in the present capital structure of Cosmopolitan, the Paliburg Group will come to own controlling interest in Cosmopolitan. The Paliburg Group was considering various options with regards to its position towards Cosmopolitan and it is expected that a strategic plan will be formulated before the next expiry of the convertible bonds.

Regal

For the year ended 31 December 2012, Regal achieved a consolidated profit attributable to shareholders of HK\$536.3 million, which was an increase of about 4 times over the HK\$107.9 million attained in 2011.

The gross profit of the Regal Group for the year under review amounted to HK\$1,174.3 million, of which over HK\$1,015.7 million were attributable to the gross operating profit and net property income contributed by the core hotel businesses. The operating profit before depreciation and finance costs of the Regal Group for the year amounted to HK\$1,182.3 million.

In April 2012, Regal announced a share repurchase programme for the repurchase of up to 38,886,400 shares at a maximum price of HK\$3.80 per share, initiated with the objective of enhancing the net asset value as well as the earnings per share of Regal. Up to the date when the share repurchase programme ended on 21 July 2012, Regal has repurchased a total of 37,344,000 shares and has utilised total funds of approximately HK\$115.3 million.

With a view to raising additional funds to finance its expansion plans, Regal established in October 2012 a US\$1,000.0 million medium term note programme and has in the same month issued one series of senior unsecured 5-year term notes for a total nominal principal amount of US\$300 million at a coupon interest rate of 4.25% per annum.

(i) *Hotel*

Market overview

During the year under review, the global economy as a whole improved modestly but the pace of recovery was slow. In the United States, the financial conditions have stabilised and the once acute sovereign debt crisis in the Euro area has also gained some relief, although ripples may still surface from time to time. The further quantitative easing measures undertaken by the central monetary authorities of the United States, the Euro area and Japan have increased market liquidity and improved the investment sentiment. Capital flows to the emerging markets remained strong and the developing economies continued to be the main drivers for global economic growth. With the strengthened domestic demand and the gradual rebound in the industrial production, the economy in China appears to have bottomed out in 2012, with gross domestic product growth being maintained at 7.8%. In Hong Kong, the local economy continued to be resilient but due to the relatively weak external conditions, Hong Kong's economic growth has slowed down from 4.9% in 2011 to 1.4% in 2012. On the other hand, benefiting from the market liquidity and the continuing low interest environment, both the capital and property markets in Hong Kong remained buoyant.

In 2012, visitor arrivals to Hong Kong increased by 16.0% year-on-year to a total of over 48.6 million, which was mainly fueled by the strong growth from Mainland China. The Hong Kong Tourism Board has intensified its promotional campaigns in provinces beyond Guangdong to open up new visitor sources in other Mainland China cities and, in the meantime, is also working to keep the visitors' portfolio diversified by rolling out a series of mega events to enhance Hong Kong's appeal internationally.

Based on the Hotel Survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories for 2012 was 89%, while the average achieved room rate attained a year-on-year increase of 9.8%.

*(ii) Hotel ownership**Regal REIT*

The Regal Group's hotel ownership business is undertaken through Regal REIT, which is approximately 74.5% held by Regal, and a wholly-owned subsidiary of Regal, the REIT Manager, acts as the manager for Regal REIT.

For the year ended 31 December 2012, Regal REIT achieved a consolidated net profit before distributions to its unitholders of HK\$3,548.8 million, an increase of 18.4% over the comparative amount of HK\$2,997.3 million recorded for the year 2011. The profit achieved for the year under review included a gain of HK\$3,068.0 million derived from the changes in the fair values of Regal REIT's investment properties, while for the preceding year, a gain of HK\$2,625.3 million was recorded from such fair value changes. Total distributable income has increased by 16.8% from HK\$397.9 million last year to HK\$464.7 million in the year under review.

The annual base rent for 2012 for the five hotels leased by Regal REIT to a wholly-owned subsidiary of Regal, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Riverside Hotel and the Regal Oriental Hotel was HK\$645 million and there was a sharing of variable rent in the sum of HK\$138.6 million for each of Regal REIT and the lessee. The Regal iClub Hotel in Wanchai, which is owned and self-operated by Regal REIT, continued to achieve satisfactory results, with average occupancy rate being maintained at a high level of 97.4% and the average room rate improving by 4.2% year-on-year.

The rental review for the leasing of the five hotels for the year 2013 was completed in August 2012 and the aggregate annual base rent has been determined at HK\$734.0 million, an increase of 13.8% over the 2012 rental level, with variable rent being similarly based on a sharing of 50% of the excess of the aggregate net property income over the aggregate base rent. Based on present forecasts and barring any unforeseen circumstances, it is anticipated that the net property income of these five hotels in 2013 will be above the base rent level, with sharing of variable rent to both Regal REIT and the lessee.

The conversion works on the 14th floor of the Regal Oriental Hotel have already been completed and the conversion works on the 2nd floor have recently commenced. When this conversion program is fully completed within the year, the total number of rooms and suites in the Regal Oriental Hotel will be increased by 55 guestrooms, boosting the total room count in the hotel portfolio owned by Regal REIT to an aggregate of 3,984 guestrooms and suites. Total valuation of its overall properties portfolio, before taking into account any value appreciation to arise from the ongoing room conversion programme in the Regal Oriental Hotel, amounted to HK\$21,032.0 million as at 31 December 2012, reflecting an increase of 18.4% as compared with that at the preceding year end.

(iii) Hotel operations

During the year under review, the five hotels in Hong Kong leased to the Regal Group have all achieved steady progress. The combined average occupancy rate for these five hotels was

90.0% and the average room rate increased by 12.0% year-on-year, both of which were above the industry average. Total gross operating profits for these five hotels for the year amounted to approximately HK\$958.0 million, an increase of approximately 16.4% over the comparative amount of HK\$822.7 million attained in 2011. To further strengthen the marketing platform and to enhance business efficiency, a new centralised hotel property management system connecting all the six hotels in Hong Kong is being implemented, which will be completed in phases before the end of 2013.

(iv) Hotel management

All the six hotels in Hong Kong are managed by Regal Hotels International Limited, a wholly-owned subsidiary of the Regal Group.

In China, there are seven operating hotels under the management of the Regal Group and eight other hotel projects, also to be managed by the Regal Group, are scheduled to come into operation during the next few years. The Regal Group is presently in negotiations on a number of new hotel management services contracts in different cities in China.

The Regal Group will continue to invest additional resources in its hotel management businesses, with a view to further extending the hotel network in China as well as overseas.

(v) Properties

The sale of two connected houses in Regalia Bay, Stanley was completed during the year and the profit derived has been accounted for in the financial statements under review. The Regal Group still retains 19 houses in Regalia Bay, four of which are under lease to third parties. Depending on market conditions and the prices to be offered by potential purchasers, the Regal Group may consider further disposing of some of these retained houses from time to time.

To strengthen its development land bank, the Regal Group acquired through a public land auction in October 2012 a plot of development land in Tianjin City in China for a consideration of RMB985 million. The land is located in a prime urban district in Tianjin City and has a total site area of 31,726 square meters (341,500 square feet). It is presently planned that the site will be developed into a commercial, office, hotel and residential complex with total gross floor area of about 145,000 square meters (1,560,780 square feet). As mentioned above, Regal owns a 50% joint venture interest in P&R.

(vi) Other investments

The Regal Group holds a substantial portfolio of listed securities and other investments, including two series of convertible bonds in Cosmopolitan with an aggregate principal amount of HK\$241.5 million and, in addition, a relatively minor shareholding in Cosmopolitan, which are being held for long term strategic purpose. With a view to diversifying the scope of the

investment portfolio, the Regal Group purchased in December 2012 for investment purpose an Airbus A321-211 aircraft manufactured in 1998 for a consideration of US\$10.5 million. The aircraft is under the management of a professional investment adviser and a professional aircraft asset manager and has recently been leased to an airline operator for lease income.

Joint Venture — P&R

P&R is a 50:50 owned joint venture established by Paliburg and Regal in April 2011, with capital contributions to be provided by Paliburg and Regal on a pro-rata basis in accordance with their respective shareholdings in P&R. P&R and its subsidiaries are principally engaged in property development business. Further information relating to the property development projects being undertaken by the P&R Group is set out below:

(i) Hong Kong

Nos.132-140 Bonham Strand, Sheung Wan

This development project has a net site area of approximately 472 square meters (5,076 square feet) and is being developed into a hotel with 248 guestrooms and suites and having gross floor area of approximately 7,776 square meters (83,700 square feet). The superstructure works are in progress and the project is expected to be completed during the second half of 2013.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan

This development site is constituted by two adjoining properties having an aggregate site area of approximately 345 square meters (3,710 square feet). The project is planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,491 square meters (59,108 square feet). Due to some delay encountered in the foundation works for this site, the completion schedule of the hotel development is anticipated to be deferred to the first half of 2015.

Nos.14-20 Merlin Street, North Point

This development project has an aggregate site area of approximately 457 square meters (4,915 square feet) and is being developed into a hotel with about 336 guestrooms, with total gross floor area of approximately 7,378 square meters (79,420 square feet). The superstructure works are in progress and the project is expected to be completed during the first half of 2014.

Lot No.4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories

This development site, acquired through a government public auction, has an area of approximately 11,192 square meters (120,470 square feet) and is planned for a residential development with a total of 170 units, comprising 36 houses and 134 apartments, having an

aggregate gross floor area of approximately 11,192 square meters (120,470 square feet). Site formation and foundation works are in progress and the superstructure works are scheduled to commence in the fourth quarter of 2013. This development project is expected to be completed in the fourth quarter of 2014.

Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon

In December 2012, Prosper Harvest Investments Limited (“**Prosper Harvest**”), a then wholly-owned subsidiary of Regal, entered into a provisional agreement with an independent third party for the acquisition of these properties. On 28 February 2013, the Regal Group transferred its entire equity interests in Prosper Harvest at cost to P&R for a consideration of approximately HK\$46.52 million, effectively representing the shareholders’ loan then owing by Prosper Harvest to the Regal Group. Subsequently, on that same date, Prosper Harvest entered into a formal sale and purchase agreement for the property acquisition at a consideration of HK\$464.3 million (subject to adjustments), and a total deposit of HK\$46.5 million was paid to the vendor. Completion of this agreement is expected to take place in early April 2013. Prosper Harvest plans to redevelop these properties into a hotel with a proposed gross floor area of about 6,298 square meters (67,790 square feet) and with not more than 340 hotel rooms as approved by the Town Planning Board.

(ii) Mainland China

Composite development project in Xindu District, Chengdu, Sichuan

The P&R Group holds 70% interest in this property project and the remaining 30% interest is held by a jointly controlled entity owned as to 50% each by Regal Group and the Cosmopolitan Group.

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. The project has an overall total gross floor area of approximately 496,000 square meters (5,340,000 square feet) and will be developed in stages. The first stage primarily comprises a five-star hotel and three residential towers, being constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 41,400 square meters (446,000 square feet). The structural frame for the hotel development has been completed and curtain wall construction of the hotel is in progress. The hotel is presently scheduled to be opened in the fourth quarter of 2014. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total gross floor area of approximately 45,500 square meters (490,000 square feet). The structural frames for this part of the development have also been completed, with overall construction works scheduled to be completed in the first quarter of 2014. Presale of the residential units is anticipated to be launched in the third quarter of 2013. Development works for the other stages are planned to be carried out progressively.

Regal (Chongqing) Equity Investment Fund, L.P.

P&R Group also holds limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P., the investment objective of which is principally to support the businesses undertaken by the P&R Group in China. A wholly-owned subsidiary of Century City, acts as the general partner of the fund and holds a very minor interest in the partnership.

(B) Financial review

Capital resources and funding

(i) Funding and treasury policy

The Century City Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits and yield enhancement products are deployed when circumstances are considered to be appropriate.

Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date.

The Century City Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates while its senior unsecured notes issued during the year are denominated in US dollar with a fixed coupon rate. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Century City Group's management from time to time. As the US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed.

(ii) Cash flow

Net cash flows generated from operating activities during the year under review amounted to HK\$3.0 million. Net interest payment for the year amounted to HK\$71.9 million.

(iii) Borrowings and gearing

As at 31 December 2012, the Century City Group had borrowings net of cash and bank balances and deposits of HK\$3,179.4 million. The increase in the level of borrowings was mainly due to the consolidation of Regal and P&R during the year.

As at 31 December 2012, the gearing ratio of the Century City Group is 9.9%, representing the Century City Group's borrowings net of cash and bank balances and deposits of HK\$3,179.4 million, as compared to the total assets of the Century City Group of HK\$32,144.7 million.

(iv) Pledge of assets

As at 31 December 2012, certain of the Century City Group's property, plant and equipment, investment properties and properties held for sale in the total amount of HK\$20,153.1 million and certain ordinary shares in two listed subsidiaries with an aggregate market value of HK\$775.4 million were pledged to secure general banking facilities granted to the Century City Group and, in addition, part of the Century City 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\$380.0 million were pledged to secure a bank guarantee procured by the Century City Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

(v) Capital commitments

As at 31 December 2012, the Century City Group had capital commitments authorised, but not contracted for, property development projects of approximately HK\$572.3 million and hotel buildings of approximately HK\$40.0 million and contracted, but not provided for, property development projects of approximately HK\$1,474.2 million.

(vi) Contingent liabilities

The Century City Group had no contingent liability as at 31 December 2012.

(vii) Share capital

During 2012, Century City repurchased a total number of 23,228,000 Century City Shares at an aggregate purchase price of HK\$12,500,080 on the Stock Exchange. All the repurchased Century City Shares were cancelled during the year.

Material acquisitions or disposals of subsidiaries or associates

In July 2012, Gold Cloud Investments Limited, a wholly-owned subsidiary of Century City, entered into the subscription agreement (the "**JAR Subscription Agreement**") with JAR Aviation Fund, an independent professional investment fund established in Gibraltar, to subscribe for approximately 84.9% of its class B participation shares at an aggregate cash subscription consideration of approximately HK\$110 million. JAR Aviation Fund beneficially owns exclusively for the benefit of the class B participation shares a 1998 new generation model of Boeing 737-800 single aisle aircraft, which was acquired from an independent third party at a total cash consideration of approximately HK\$84.2 million. The aggregate subscription consideration for the class B participation shares was agreed to by the Century City Group after assessing the funds required for the purchase price of the aircraft, the additional contributions of approximately HK\$38.2 million required for the first engine performance restoration and replacement of parts under the terms of a lease agreement for the leasing of the aircraft to a third party airline company and other incidental costs and expenses. JAR Aviation Fund is managed by a professional investment adviser and a professional aircraft asset manager, who would be entitled to management fees and performance fees, but the Century City Group has control over all material decisions affecting the rights and benefits of the class B participation shares.

The lease of the aircraft to the airline company is for a term of 62 months from July 2012 and the effective annual rental receivable under the lease is approximately HK\$22.6 million. The Century City Group considers that the investment in JAR Aviation Fund would help to expand the scope of its investment portfolio, while providing good recurring investment returns.

The JAR Subscription Agreement and the transactions contemplated pursuant to the JAR Subscription Agreement constituted a discloseable transaction for Century City under Chapter 14 of the Listing Rules. Details of the discloseable transaction was disclosed in the announcement of Century City dated 24 July 2012.

In addition, both Regal and Regal REIT became subsidiaries of the Century City Group with effect from 7 May 2012 following the aggregate proportionate shareholdings held by the Paliburg Group in Regal crossed over the 50% shareholding threshold on that date as a result of the share repurchases made by Regal under the share repurchase programme announced by Regal in April 2012. Following Regal becoming a subsidiary of the Century City Group, P&R has also been treated as a subsidiary of the Century City Group since 7 May 2012.

Staff and remuneration policy

Based on the annual report of Century City for the year ended 31 December 2012, the Century City Group, together with the Regal Group, employed approximately 2,080 staff in Hong Kong. The Century City Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Century City 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 benefit plans maintained by the Century City Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, Century City, Paliburg and Regal maintain the share option schemes named as "The Century City International Holdings Limited Share Option Scheme", "The Paliburg Holdings Limited Share Option Scheme" and "The Regal Hotels International Holdings Limited Share Option Scheme", respectively, under which share options had been granted to selected eligible persons.

FOR THE YEAR ENDED 31 DECEMBER 2013

(A) Business review

The Century City 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 principal businesses of Paliburg, the Century City Group's listed intermediate subsidiary, comprising its investment in Regal, its property development and investment businesses (including those undertaken in Hong Kong through P&R, the joint venture with Regal, and those in the PRC through Cosmopolitan, which became a listed subsidiary of P&R since 16 September 2013), construction and building related businesses, and other investment businesses.

Paliburg

For the year ended 31 December 2013, Paliburg achieved a consolidated profit attributable to shareholders of HK\$322.9 million, as compared to the profit of HK\$2,294.3 million recorded for 2012. As the profit recorded by Paliburg for the preceding year included the one-off net accounting gain arising from the consolidation of Regal, the profit attained for the year under review was substantially lower.

(i) Business overview

During 2013, the Paliburg Group has acquired additional shares in Regal and Regal has also repurchased, at different times, some of its own shares under the share repurchasing mandate granted by its shareholders. As a result, the Paliburg Group's shareholding interests in Regal have increased from 51.3% as at the beginning of 2013 to 58.2% as at 31 December 2013. As the ordinary shares of Regal were trading at a substantial discount to its underlying net asset value, such purchases and repurchases of shares of Regal have served to enhance the net asset value of Paliburg and, effectively, of Century City.

While the strategic controlling interests in Regal have always been one of the most significant investments of the Paliburg Group, the Paliburg Group's core businesses are principally focused on property development and investment in Hong Kong and the PRC. During 2013, the Paliburg Group has implemented a series of corporate transactions to rationalise the asset holding structure with respect to its core property businesses. Presently, all of the Paliburg Group's existing property development projects in Hong Kong are undertaken by P&R, a joint venture 50/50 held by each of Regal and Paliburg, while its property development and investment businesses in the PRC will be undertaken by Cosmopolitan, which is now a listed subsidiary of Paliburg held through P&R.

(ii) Properties

Affected by the heavy tax levies imposed by the Government of Hong Kong on property transactions in Hong Kong, the real estate sector in Hong Kong during 2013 has remained stagnant, particularly in the secondary market, with property prices having generally adjusted downwards. The property market in Hong Kong is likely to remain lacklustre in the near term, but the Paliburg Group remains confident of its long term prospects due to the limited supply of development lands, particularly in prime areas, and the strong underlying demands for properties. The Paliburg Group has taken the opportunity to expand, through P&R, its property development portfolio during 2013.

P&R was initially established in April 2011 as a 50/50 joint venture of Regal and Paliburg to engage in property development, property investment and related businesses, so as to fully capitalise on the combined financial resources and professional expertise of the two groups. As Regal became a subsidiary of Century City in May 2012, P&R has effectively also become a subsidiary of Century City.

Since its establishment in 2011, P&R has acquired a total of seven property development projects in Hong Kong, including four hotel projects, with two in Sheung Wan, one in North Point and one in To Kwa Wan, a residential project in Yuen Long, a shopping mall project in Ma On Shan and, more lately, the residential project in Kau To.

The residential project in Kau To is situated at Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories, which was acquired through a government tender held in September 2013. The site has a site area of 17,476 square metres and is presently planned to be developed into 7 mid-rise residential apartment blocks with about 136 units and 21 luxury houses with a total gross floor area of approximately 32,470 square metres.

Most recently, a wholly-owned subsidiary of P&R has won the contract from the Urban Renewal Authority of Hong Kong for the residential-cum-commercial development of the Shun Ning Road project in Sham Shui Po, Kowloon by tender. The project has a site area of approximately 825 square metres and the development is expected to have total residential gross floor area of approximately 5,960 square metres and total commercial gross floor area of approximately 1,200 square metres. This cooperation with the Urban Renewal Authority has opened up for P&R a new avenue for the undertaking of property developments in Hong Kong.

As disclosed in the 2013 Interim Report of Century City, P&R entered into a share purchase agreement on 28 June 2013 with Regal REIT for the sale to Regal REIT of the new hotel with 248 guestrooms and suites located at Nos. 132-140 Bonham Strand, Sheung Wan at a consideration of HK\$1,580 million, based on an independent valuation of the hotel property as of 25 June 2013 on an as-completed basis. The occupation permit for the property was issued in January 2014 and the requisite transactions under the share purchase agreement have been subsequently completed on 10 February 2014. The consideration received on the sale of this hotel represented a surplus of approximately HK\$853 million over the estimated total development costs to P&R, including the costs for the completion of the agreed interior fit-out works. Though the gain derived by P&R would not be reflected in the Paliburg Group's results due to consolidation elimination under the existing corporate structure in accordance with the accounting standards, this sale transaction has generated substantial cash proceeds to P&R to fund its acquisitions of new property projects.

Simultaneously with the share purchase agreement, P&R also entered into an option agreement with Regal REIT in June 2013, pursuant to which an option was granted to Regal REIT to acquire the 338-room hotel under development in North Point. If the option is exercised by Regal REIT, the final sale consideration will be determined in accordance with the agreed terms in the option agreement, basing on an updated market valuation by the independent

professional valuer jointly appointed by the parties. The construction works on this new hotel have now been completed and the application for the issue of the occupation permit has recently been submitted. Details of the option agreement were likewise disclosed in the interim report of Century City for the six months ended 30 June 2013.

With the objective that P&R and Cosmopolitan would have their property businesses separately focused in Hong Kong and the PRC, respectively, agreements were entered into by P&R and a joint venture 50/50 held by Regal and Cosmopolitan on 27 June 2013 for the sale of their 70% and 30% equity interests, respectively, in the mixed-use development project under development in Xindu District, Chengdu City, to a wholly-owned subsidiary of Cosmopolitan, with the sale consideration determined based on a 5% discount to the independent valuation of the Chengdu Project of RMB1,540 million as of 31 May 2013. This sale transaction was completed in September 2013 before Cosmopolitan became a subsidiary of Paliburg and the attributable gain derived from the transaction has been reflected in the results of the Paliburg Group under review.

As part of the series of transactions with Cosmopolitan completed in September 2013, P&R has acquired from Cosmopolitan the properties owned by Cosmopolitan in Hong Kong, comprising ten residential duplex units and fourteen car parks in Rainbow Lodge located in Tong Yan San Tsuen, Yuen Long (the “**Rainbow Lodge Properties**”), based on an independent valuation of the properties as of 31 May 2013. The Rainbow Lodge Properties are presently intended to be held for rental income and, up to now, a total of four units have been leased out.

(iii) Construction and building related businesses

The Paliburg Group’s development consultancy division continues to provide support to different members of the Century City Group with respect to the professional services on the architectural, engineering and interior design aspects for all the property development and hotel renovation projects. Chatwin Engineering Limited, the wholly owned construction arm of Paliburg, is undertaking the main contract works for the hotel development projects of P&R at Bonham Strand in Sheung Wan, which have been completed, and at Merlin Street in North Point, which is near completion. Chatwin Engineering Limited has recently also been awarded the main contract works for the residential project of P&R in Yuen Long through competitive tender process.

(iv) Other investments

The Paliburg Group holds a sizable portfolio of investments in a wide range of listed financial assets, bonds and financial instruments, including treasury and yield enhancement products denominated in Renminbi.

As part of its investment portfolio, the Paliburg Group had held significant interests in the ordinary shares and convertible bonds of Cosmopolitan, while separate interests in Cosmopolitan were also held by the Regal Group. In August 2013, the Paliburg Group and the Regal Group entered into an agreement to sell all their respective holdings in the issued shares and convertible

bonds of Cosmopolitan to P&R, so that the interests previously held by two separate groups will be consolidated into one strategic block held through the jointly controlled P&R. These transactions have been implemented shortly after the requisite approval by the independent shareholders of Regal on 7 September 2013.

Later in the same month, P&R further acquired approximately 19.4% of the then issued share capital of Cosmopolitan from the then single largest Cosmopolitan Shareholder and converted all the convertible bonds of Cosmopolitan into new Cosmopolitan Shares. As a result of these further acquisition and conversions, P&R has come to own approximately 67.5% of the issued share capital of Cosmopolitan and has accordingly made an unconditional mandatory general cash offer for all the issued Cosmopolitan Shares not already owned by P&R and its concert parties, which offer has duly closed on 2 December 2013. Details of these transactions were contained in the joint announcement by Century City dated 30 September 2013.

With the aim to enhance the yield on the liquid capital and to broaden the income base of the Paliburg Group, a wholly-owned subsidiary of Paliburg, as the lender, has entered into an entrusted loan agreement with an independent third party in October 2013 for the lending of an entrusted secured loan in the principal amount of up to RMB200 million for a term of 6 months at an interest rate of 15% per annum, which was considered to be satisfactory having regard to the prevailing benchmark interest rate for fixed deposits in Renminbi. Further details with respect to this lending transaction were contained in the joint announcement by Century City dated 15 October 2013. The drawdown of the entrusted loan under the loan agreement was subject to the fulfillment of certain conditions precedent. As the conditions precedent have not been fulfilled, the loan agreement has recently been terminated and the loan proceeds were released and returned to the Paliburg Group. In any event, the fixed interest for a period of 4 months paid in advance by the borrower has been received by the Paliburg Group for its account in accordance with the terms of the loan agreement.

Regal

The significant investments and business interests of Regal comprise hotel ownership business undertaken through Regal REIT (a listed subsidiary of Century City and Paliburg held through Regal), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses. For the year ended 31 December 2013, Regal achieved a consolidated profit attributable to shareholders of HK\$256.9 million, as compared to the profit of HK\$536.3 million attained in 2012.

The profit achieved for 2013 was comparatively lower than that of last year primarily due to the fact that for 2012, there were a one-off gain on realisation of hedge reserve as well as the gain from the disposal of two houses in Regalia Bay, while for the year under review, there were increased finance costs on the medium term notes issued by Regal REIT and Regal to finance business expansions.

*(i) Hotel**Market overview*

During 2013, the United States began tapering its quantitative easing programmes with indications of a self-sustaining recovery, while the European economies were on the whole showing signs of stabilising. In Asia, Japan was striving to turnaround its stagnant economy by fiscal stimulus and monetary easing measures, whereas in the PRC, the gross domestic product increased by 7.7% year-on-year, maintaining the same level as in the preceding year. In the meanwhile, Hong Kong's economy remained resilient, with the gross domestic product having increased by 2.9% year-on-year.

In 2013, visitor arrivals to Hong Kong surged by 11.7% year-on-year to a total of over 54 million, fueled mainly by the strong growth of visitors from Mainland China, but more than half of the arrivals were same day visitors which had little impact on the hotel sector. Based on a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories for 2013 was 89%, which was the same level as that in 2012, while the industry-wide average achieved room rate experienced a slight downward adjustment of 2.8%.

*(ii) Hotel ownership**Regal REIT*

Regal REIT owns all the operating hotels in Hong Kong and is a listed subsidiary of Regal. The REIT Manager, a wholly-owned subsidiary of Regal, acts as the manager for Regal REIT.

For the year ended 31 December 2013, Regal REIT achieved a consolidated net profit before distributions to its unitholders of HK\$342.6 million, as compared to HK\$3,548.8 million recorded for the year 2012. The decrease in the reported profit was largely attributable to the fact that for the preceding year, the profit achieved included a significant gain of HK\$3,068.0 million derived from the changes in the fair values of Regal REIT's investment properties. Benefitting from the increased rental receipts, the total distributable income for Regal REIT for the year under review amounted to HK\$497.1 million, an increase of 7.0% over the HK\$464.7 million reported last year.

Apart from the five initial hotels which are owned by Regal REIT and leased to a wholly-owned subsidiary of Regal, Regal REIT owns and self-operates the Regal iClub Hotel in Wanchai. This Regal iClub Hotel continued to enjoy strong demand during the year, with the occupancy rate reaching to almost 100% from 97.4% last year. However, due to price competition from some new hotels, the average room rate has reduced by 7.4% year-on-year.

In 2013, over 510 hotel guestrooms and suites within Regal REIT's portfolio were renovated under the regular capital expenditure programmes to maintain the high competitive

standards of the room inventory. The second phase of the conversion works at the Regal Oriental Hotel to add another 28 rooms on the 2nd floor was recently completed and the hotel room count increased to 494 rooms. As at 31 December 2013, the total room inventory of the six operating hotels owned by Regal REIT boosted an aggregate of 3,984 guestrooms and suites.

As mentioned above, Regal REIT has acquired from P&R the new hotel located at Nos. 132-140 Bonham Strand, Sheung Wan at a consideration of HK\$1,580 million. The property has been leased by Regal REIT to a wholly-owned subsidiary of Regal effective from 10 February 2014, with rentals for the first 3 years having been fixed at HK\$79.0 million, HK\$82.95 million and HK\$86.9 million per annum, respectively.

The acquisition of this 34-storey hotel property has added another 248 guestrooms and suites to the hotel portfolio of Regal REIT. The hotel will be named as the “iclub Sheung Wan Hotel” under the “iclub by Regal” brand, and will be operated as an upscale select-service hotel modelled on the successful operations of the Regal iClub Hotel in Wanchai. It is anticipated that the hotel will commence operations in the first half of 2014, after the hotel and other relevant licences have been granted.

Simultaneously with the share purchase agreement, Regal REIT also entered into an option agreement with P&R in June 2013, pursuant to which an option was granted to Regal REIT to acquire the new 338-room hotel under development in North Point.

(iii) Hotel operations

The five initial hotels in Hong Kong are operated by a wholly-owned subsidiary of Regal as lessee. The combined average occupancy rate for these five hotels for the year was 90.2%, which was slightly above the level in 2012 and while the average room rate was down by 1.0% year-on-year, nonetheless this performance was better than the industry average. The total net property income generated by the five hotels for 2013 amounted to HK\$881.0 million, which represented an excess of HK\$147.0 million over the aggregate annual base rent of HK\$734.0 million, 50% of which was attributable to Regal REIT as variable rent.

The rental review for the leasing of the five initial hotels for 2014 was completed in August 2013. The aggregate annual base rent for 2014 has been determined at HK\$743.0 million, reflecting a moderate increase of 1.2% over the annual base rent of HK\$734.0 million for 2013, with variable rent continuing to be based on the same 50% sharing of the excess of the aggregate net property income of the five hotels over the aggregate base rent.

As mentioned above, a wholly-owned subsidiary of Regal has additionally leased the new “iclub Sheung Wan Hotel” from Regal REIT for a fixed term of 5 years from 10 February 2014, which is extendable for a further term of 5 years at the option of Regal REIT.

To further strengthen the marketing platform and to enhance internet connectivity, a new centralised property management system connecting all the Regal Group’s hotels in Hong Kong is being implemented, and an increasing number of room reservations is being made through the internet.

(iv) Hotel management

All the six hotels operating in Hong Kong, as well as the soon to open “iclub Sheung Wan Hotel”, are managed by Regal Hotels International Limited, the wholly owned management arm of Regal in Hong Kong.

The Regal Group is presently managing five operating hotels in the PRC, four of which are situated in Shanghai. There are ten other hotel projects under development in the PRC which will also be managed by the Regal Group. These hotel projects are targeted to be completed within the next two years, with the Regal Airport Hotel, Xian and the Regal Yuhong Hotel in Zhengzhou scheduled first to come on stream in the second half of 2014.

(v) Properties

As disclosed in the interim report of Century City for the six months ended 30 June 2013, the Regal Group entered into a sale and purchase agreement with a wholly-owned subsidiary of Cosmopolitan on 27 June 2013 for the sale of the plot of development land in Tianjin City in the PRC, which was acquired by the Regal Group through a public land auction in October 2012. On that same date, separate agreements were also entered into by P&R and a joint venture 50/50 owned by Cosmopolitan and the Regal Group to sell their respective 70% and 30% interests held in the property project under development in Chengdu City, Sichuan to the Cosmopolitan group. All these transactions have been duly completed in September 2013 and the attributable gain derived by the Regal Group has been reflected in its results for 2013.

The Regal Group still retains 19 houses in Regalia Bay, Stanley, four of which are under lease to independent third parties. Having regard to the very few supply of luxury residential accommodation on Hong Kong Island, the Regal Group will continue to hold on to these properties and may consider leasing out more of these houses for rental income, unless the price offered by interested purchasers are satisfactory.

(vi) Other investments

The Regal Group maintains a substantial portfolio of investments comprising listed financial assets and other investments, including investment funds, bonds, as well as treasury and yield enhancement investment products denominated in Renminbi.

The Regal Group currently owns two aircrafts under its aircraft ownership and leasing business, which have been undertaken with a view to generating for the Regal Group an alternative source of steady recurring income. The first aircraft is an Airbus A321-211 acquired in December 2012, which is wholly owned by Regal and the second aircraft is an Airbus A321-200, which was acquired in July 2013 through an 85% owned subsidiary of Regal. Both aircrafts are managed by a professional asset manager and have been leased to two separate airline operators, for a term of 72 months and 60 months, respectively, at satisfactory rental levels.

As mentioned above, the Regal Group has a 36% effective interest in 8D Matrix Limited, a wholly-owned subsidiary of which is principally engaged in the online education, entertainment and technology businesses in the PRC.

Joint venture — P&R

P&R is a 50:50 owned joint venture established by Paliburg and Regal in April 2011, with capital contributions to be provided by Paliburg and Regal on a pro-rata basis in accordance with their respective shareholdings in P&R. Pursuant to a supplemental agreement to the shareholders' agreement in respect of P&R entered into on 20 August 2013, the business scope of P&R has been extended from the development of real estate projects for sale and/or leasing and the undertaking of related investment and financial activities to include, additionally, the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

Further Information relating to the property development projects being undertaken by the P&R Group is set out below:

(i) Hong Kong

Apart from the contract for the Shun Ning Road project in Sham Shui Po, Kowloon, most recently awarded by the Urban Renewal Authority of Hong Kong, all the other development projects currently undertaken by the P&R Group in Hong Kong are wholly owned by the P&R Group.

Nos.14-20 Merlin Street, North Point

This development project has an aggregate site area of approximately 457 square metres (4,915 square feet) and is being developed into a hotel with about 338 guestrooms, with total gross floor area of approximately 6,849 square metres (73,721 square feet) and the covered floor area of approximately 9,393 square metres (101,105 square feet). The superstructure works have been completed and the application for the issue of the occupation permit has already been submitted recently.

This property is subject to an option to purchase granted to Regal REIT, exercisable at its discretion, pursuant to an option agreement as mentioned in the interim report of Century City for the six months ended 30 June 2013.

Lot No.4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories

This development project has a site area of approximately 11,192 square metres (120,470 square feet) and is planned for a residential development with a total of 170 units, comprising 36 garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The superstructure works have been commenced. The project is expected to be completed in the first quarter of 2015.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan

The properties have an aggregate site area of approximately 345 square metres (3,710 square feet) and are planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet). The foundation works have been completed and the development is anticipated to be completed in 2016.

Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon

The acquisition of the subject properties was completed in April 2013. The properties have an aggregate site area of approximately 700 square metres (7,535 square feet). The plans for the development of the properties into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet), have been formally approved by the Town Planning Board. The building plans for the development have now also been approved and the foundation works are progressing. This hotel development project is expected to be completed in year 2016.

Sha Tin Town Lot No. 482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories

This development site, acquired through a government tender held in June 2013, has a site area of 5,090 square metres (54,788 square feet) and a maximum gross floor area of 15,270 square metres (164,364 square feet). The project is presently planned to be developed into a shopping mall and the planning works for the development are currently in progress.

Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories

This development site was acquired through a government tender held in September 2013. The land has a site area of 17,476 square metres (188,100 square feet). The project is presently planned for a residential development comprising 7 mid-rise apartment blocks with about 136 units and 21 luxury houses, having aggregate gross floor area of approximately 32,470 square metres (349,500 square feet). The building plans for the development have recently been submitted to the government authorities for approval.

*(ii) Mainland China**Regal (Chongqing) Equity Investment Fund, L.P.*

P&R Group also holds limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P., which was established principally to support the businesses undertaken by the P&R Group in China. A wholly-owned subsidiary of Century City acts as the general partner of the fund and holds a very minor interest in the partnership.

(B) Financial review**Capital resources and funding***(i) Funding and treasury policy*

The Century City Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources. Project financing may be arranged on appropriate terms and will normally be in local currency to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Century City Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes issued were denominated in US dollar and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Century City Group's management from time to time. As the US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed.

(ii) Cash flow

Net cash flows used in operating activities during the year under review amounted to HK\$3,233.1 million. Net interest payment for the year amounted to HK\$234.9 million.

(iii) Borrowings and gearing

As at 31 December 2013, the Century City Group's borrowings, net of cash and bank balances and deposits amounted to HK\$8,403.4 million.

As at 31 December 2013, the gearing ratio of the Century City Group was 23.7%, representing the Century City Group's borrowings net of cash and bank balances and deposits of HK\$8,403.4 million, as compared to the total assets of the Century City Group of HK\$35,416.4 million.

(iv) Pledge of assets

As at 31 December 2013, certain of the Century City 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, bank deposits and bank balances in the total amount of HK\$14,529.3 million were pledged to secure general banking facilities granted to the Century City Group and, in addition, part of the Century City 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\$428.5 million were pledged to secure a bank guarantee procured by the Century City Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31 December 2013, certain ordinary shares in a listed subsidiary with a market value of HK\$460.0 million were also pledged to secure general banking facilities granted to the Century City Group.

(v) *Capital commitments*

As at 31 December 2013, the Century City Group had capital commitments authorised, but not contracted for, property development projects of approximately HK\$2,353.7 million and hotel buildings of approximately HK\$37.6 million and contracted, but not provided for, property development projects of approximately HK\$1,011.7 million.

(vi) *Contingent liabilities*

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

(vii) *Share capital*

During 2013, Century City repurchased a total number of 2,496,000 Century City Shares at an aggregate purchase price of HK\$1,481,400 on the Stock Exchange. All the repurchased Century City Shares were cancelled during the year.

Material acquisitions or disposals of subsidiaries or associates

During 2013, various agreements were entered into relating to the disposals of certain subsidiaries of the Century City Group and subsidiaries of a joint venture of the Century City Group, which hold properties in Hong Kong and the PRC, to the Cosmopolitan Group and certain subsidiaries of the Century City Group, which hold securities of the Cosmopolitan Group, to P&R and the acquisition of certain subsidiaries of Cosmopolitan, which hold properties in Hong Kong, by P&R. The Century City Group also acquired additional Cosmopolitan Shares and converted all its convertible bonds issued by the Cosmopolitan Group, and, as a consequence, procured a subsidiary of the Century City Group to make an unconditional mandatory general cash offer to acquire all Cosmopolitan Shares (other than those already owned or agreed to be acquired by the P&R Concert Group (as referred below)). Relevant details of these transactions are set out below.

(i) *Disposal of interests in a property development project in Chengdu, the PRC to Cosmopolitan*

On 27 June 2013, a conditional sale and purchase agreement was entered into between P&R as the vendor and Ample State Investments Limited (“**Ample State**”), a wholly-owned subsidiary of Cosmopolitan, as the purchaser 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. 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 shareholders of Cosmopolitan 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 joint announcement of Century City dated 27 June 2013.

(ii) Acquisition of interests in the Rainbow Lodge Properties from Cosmopolitan

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 loan 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 i.e. 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 P&R and Cosmopolitan. 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 shareholders of Cosmopolitan at its extraordinary general meeting held on 13 September 2013. Following the Rainbow Lodge Agreement 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 joint announcement of Century City dated 27 June 2013.

(iii) Disposal of interests in a parcel of land in Tianjin City, the PRC to Cosmopolitan

On 27 June 2013, a conditional sale and purchase agreement was entered into between Regal International (BVI) Holdings Limited (“**Regal BVI**”), a wholly-owned subsidiary of Regal, as the vendor and Fortune City International Investments Limited (“**Fortune City**”), a wholly-owned subsidiary of Cosmopolitan, as the purchaser in relation to the transfer of all the effective interests in a parcel of land located in Tianjin City, the PRC (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 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 shareholders of Cosmopolitan 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\$1,406.7 million.

Relevant details of the transactions under the Tianjin Agreement were disclosed in the joint announcement of Century City dated 27 June 2013.

(iv) Disposal of interests in two hotels in Sheung Wan and North Point, Hong Kong to Regal REIT

On 28 June 2013, a conditional sale and purchase agreement was entered into between, among others, P&R as the vendor and the REIT Trustee, acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the purchaser relating to the disposal by P&R to Regal REIT of all the shareholding interest in Plentiful Investments Limited (“**Plentiful**”), a wholly-owned subsidiary of P&R, and all the shareholder’s loans owed by the wholly-owned subsidiary of Plentiful, Tristan Limited (“**Tristan**”, together with Plentiful, the “**Plentiful Group**”), to P&R (the “**SW Shareholder Loans**”) (the “**SW Hotel Agreement**”) (the “**SW Hotel Transaction**”). Tristan directly owns the hotel development project located at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong (the “**Sheung Wan Hotel**”). The SW Hotel Transaction was to be completed upon the fulfilment (or waiver) of the conditions precedent as set out in the SW Hotel Agreement (the “**SW Hotel Completion**”).

The consideration for the SW Hotel Transaction was HK\$1,580.0 million, plus a customary adjustment on a dollar-for-dollar basis for the current assets of the Plentiful Group as at the date of completion of the SW Hotel Transaction. The consideration for the SW Hotel Transaction was determined based on the valuation of the Sheung Wan Hotel of HK\$1,580.0 million on an as-completed basis as of 25 June 2013 as appraised by the independent valuer jointly appointed by P&R and Regal REIT, and taking into account completion of the interior fit-out programme of the Sheung Wan Hotel, the SW Shareholder Loans to be acquired by Regal REIT pursuant to the SW Hotel Transaction and that the Plentiful Group would not have any liabilities other than the SW Shareholder Loans at completion of the SW Hotel Transaction.

The Sheung Wan Hotel will have 248 guestrooms and suites and, to be branded as a “iclub by Regal (富薈酒店)” hotel, and would be leased to and operated and managed by the Regal Group upon completion of the SW Hotel Transaction.

On 28 June 2013, an option agreement was entered into between, among others, P&R as the grantor and the REIT Trustee, acting in its capacity as trustee of Regal REIT and on behalf of Regal REIT, as the grantee relating to the grant of a call option by P&R to Regal REIT (the “**Option**”) entitling Regal REIT in its sole discretion to acquire all the shareholding interest in Fortune Mine Limited (“**Fortune Mine**”), a wholly-owned subsidiary of P&R, and all the shareholder’s loans owed by the wholly-owned subsidiary of Fortune Mine, Wise Decade Investments Limited (“**Wise Decade**”, together with Fortune Mine, the “**Fortune Mine Group**”), to P&R (the “**NP Shareholder Loans**”) (the “**Option Agreement**”) (the “**NP Hotel Transaction**”). Wise Decade directly owns the hotel development project located at Nos. 14-20 Merlin Street, North Point, Hong Kong (the “**North Point Hotel**”). The Option may only be exercised during the period commencing from the date that the occupation permit for the North Point Hotel is granted (as notified by P&R to the REIT Trustee) and ending 30 days from such date. The occupation permit for the North Point Hotel is estimated to be granted in the second quarter of 2014.

The initial exercise price for the Option is HK\$1,650.0 million, subject to the adjustments as provided in the Option Agreement, which was determined with reference to the valuation of the North Point Hotel on an as-completed basis of HK\$1,650.0 million as of 25 June 2013 as appraised by the independent valuer jointly appointed by P&R and Regal REIT and completion of the interior fit-out programme of the North Point Hotel and taking into account that the NP Shareholder Loans are to be acquired by Regal REIT pursuant to the NP Hotel Transaction (upon exercise of the Option) and that the Fortune Mine Group shall not have any liabilities other than the NP Shareholder Loans at completion of the NP Hotel Transaction.

The North Point Hotel will have 338 guestrooms and is to be branded as a “iclub by Regal (富薈酒店)” hotel, and will be leased to and operated and managed by the Regal Group upon completion of the NP Hotel Transaction.

Relevant details of the transactions under the SW Hotel Agreement and the Option Agreement were disclosed in the joint announcement of Century City dated 28 June 2013 and the circular of Century City dated 29 June 2013.

On 18 July 2013, the transactions contemplated under the SW Hotel Agreement and the Option Agreement were approved by the independent shareholders of Regal and the independent unitholders of Regal REIT at the respective general meetings of Regal and Regal REIT.

On 6 January 2014, the occupation permit required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for the Sheung Wan Hotel has been obtained. Following the SW Hotel Agreement becoming unconditional, completion of the SW Hotel Transaction took place on 10 February 2014. After taking into account the completion adjustment, the aggregate consideration for the SW Hotel Transaction was HK\$1,581.1 million.

(v) *Disposal of the subsidiaries holding securities of Cosmopolitan to P&R*

On 20 August 2013, a conditional sale and purchase agreement was entered into between Paliburg Development BVI Holdings Limited (“**PDBVI**”) (a wholly-owned subsidiary of Paliburg), Regal BVI and Regal Hotels (Holdings) Limited (“**RHH**”) (both wholly-owned subsidiaries of Regal), each as a vendor, and P&R, as the purchaser, relating to the disposals of the entire issued share capital of, and (if any) the shareholder’s loans to, among others, Winart Investments Limited, Lendas Investments Limited (“**Lendas**”), Great Select Holdings Limited, Jumbo Pearl Investments Limited and Sun Joyous Investments Limited (all then wholly-owned subsidiaries of PDBVI) (the “**Paliburg Target Companies**”), and Fountain Sky Limited (a then wholly-owned subsidiary of RHH) and Time Crest Investments Limited, Valuegood International Limited and Well Mount Investments Limited (all then wholly-owned subsidiaries of Regal BVI) (the “**Regal Target Companies**”) to P&R (the “**Cosmopolitan Agreement**”) (the “**Cosmopolitan Transactions**”). The Paliburg Target Companies and Regal Target Companies then held, in total, 2,350,666,666 Cosmopolitan Shares and convertible bonds in an aggregate principal amount of HK\$541,450,000, which were convertible into a total of 10,202,916,664 new Cosmopolitan Shares, issued by the Cosmopolitan Group (the “**Cosmopolitan CBs**”).

The aggregate consideration for disposal of Paliburg Target Companies is approximately HK\$374.5 million while the aggregate consideration for disposal of Regal Target Companies is approximately HK\$504.3 million, both of which were based on an agreed value of HK\$0.07 per each issued or underlying Cosmopolitan Shares. The aggregate considerations for disposal of Paliburg Target Companies and Regal Target Companies were determined after arm’s length negotiation between the parties taking into account the net book value and market price of issued Cosmopolitan Shares and the business prospects of Cosmopolitan. The considerations were paid in cash upon completion of the Cosmopolitan Transactions.

The transactions contemplated under the Cosmopolitan Agreement were approved by the independent shareholders of Regal at its special general meeting held on 7 September 2013. Following the Cosmopolitan Agreement becoming unconditional, completion of the Cosmopolitan Transactions took place on 9 September 2013.

Relevant details of the Cosmopolitan Transactions under the Cosmopolitan Agreement were disclosed in the joint announcement of Century City dated 20 August 2013.

(vi) Cosmopolitan becoming a listed subsidiary of the Century City Group

On 14 September 2013, Lendas, a wholly-owned subsidiary of P&R, as the purchaser acquired from Giant Sino Group Limited (“**Giant Sino**”), an independent third party, as the vendor 2,291,076,090 Cosmopolitan Shares (the “**Cosmopolitan Sale Share(s)**”) (the “**Cosmopolitan Share Acquisition**”), which represented approximately 19.44% of the entire issued share capital of Cosmopolitan as at that date.

The consideration for the Cosmopolitan Share Acquisition was HK\$160,375,326.30 (equivalent to HK\$0.07 per Cosmopolitan Sale Share) in cash which was agreed between Lendas and Giant Sino after arm’s length negotiation taking into account the market price of the Cosmopolitan Shares and the business prospects of Cosmopolitan.

On 16 September 2013, certain wholly-owned subsidiaries of P&R, all of which being holders of the Cosmopolitan CBs in an aggregate principal amount of HK\$541,450,000, served notices of conversion in respect of all of their respective Cosmopolitan CBs on the relevant issuers of the Cosmopolitan CBs. Accordingly, 10,202,916,664 Cosmopolitan Shares (the “**Cosmopolitan Conversion Shares**”) were allotted and issued to the relevant holders of the Cosmopolitan CBs (the “**Cosmopolitan Conversion**”).

Upon the completion of the Cosmopolitan Share Acquisition and the allotment and issue of the Cosmopolitan Conversion Shares, the shareholding held by the Paliburg Group in Cosmopolitan increased to over 50% and, consequently, Cosmopolitan and its subsidiaries all became listed subsidiaries of the Century City Group with effect from 16 September 2013.

Following the Cosmopolitan Share Acquisition and the allotment and issue of the Cosmopolitan Conversion Shares, P&R was required, and procured P&R Strategic Limited i.e. the Underwriter (being a wholly-owned subsidiary of P&R), to make an unconditional mandatory general cash offer under Rule 26.1 of the Code on Takeovers and Mergers to acquire all the Cosmopolitan Shares of par value HK\$0.0002 each and any Cosmopolitan Shares duly issued while the offer remained open for acceptance, other than those already owned or agreed to be acquired by P&R and parties acting in concert with it (including Century City, Paliburg, P&R Strategic, Regal, RH International Finance Limited (a wholly-owned subsidiary of Regal)) (the “**P&R Concert Group**”), at an offer price of HK\$0.07 in cash for each offer share (the “**Cosmopolitan Offer**”).

Relevant details of the Cosmopolitan Share Acquisition, the Cosmopolitan Conversion and the Cosmopolitan Offer were disclosed in the joint announcement of Century City dated 30 September 2013.

Save as disclosed herein, during the year under review, there were no other material acquisitions or disposals of subsidiaries or associates of Century City.

Staff and remuneration policy

Based on the annual report of Century City for the year ended 31 December 2013, the Century City Group employed approximately 2,390 staff in Hong Kong and the PRC. The Century City Group’s management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Century City 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 benefit plans maintained by the Century City Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, Century City, Paliburg and Regal maintain the share option schemes named as “The Century City International Holdings Limited Share Option Scheme”, “The Paliburg Holdings Limited Share Option Scheme” and “The Regal Hotels International Holdings Limited Share Option Scheme”, respectively, under which share options had been granted to selected eligible persons.

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) and the website of Cosmopolitan (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 jointly controlled entities for partial repayment of shareholders' loan previously granted by the Cosmopolitan Group and, if required, could consider converting certain non-current assets into cash to further strengthen the Cosmopolitan Group's liquidity position.

Chengdu Project

In June 2011, Faith Crown disposed of 70% of its interest in the Chengdu property project to P&R (“**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 have 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 jointly controlled entity and the decrease of derivative financial liabilities included under current liabilities which had been reflected in the consolidated net profit of the Cosmopolitan Group as mentioned earlier under the 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 and bank balances and deposits 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 joint 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 FINANCIAL INFORMATION OF THE GROUP**Introduction**

The following unaudited pro forma financial information of the Group (the “**Unaudited Pro Forma Financial Information**”), including the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows, has been prepared on the basis of the notes set out below for the purposes of illustrating the effects of the Transactions, as if they had been completed on 31 December 2013 for the unaudited pro forma consolidated statement of financial position and on 1 January 2013 for the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information of the Group has been prepared based on (i) the audited consolidated financial statements of Century City 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 Century City 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 Century City 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, financial performance or cash flows of the Group had the Transactions been completed as at 31 December 2013 or 1 January 2013, where applicable, or any future date.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE GROUP AS AT 31 DECEMBER 2013

(Assuming all Cosmopolitan Qualifying Shareholders taking up their pro-rata Cosmopolitan Open Offer Entitlements)

	The Group as at 31 December 2013					Pro forma Group
	Pro forma adjustments					
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
NON-CURRENT ASSETS						
Property, plant and equipment	19,459.0	—	—	—	—	19,459.0
Investment properties	1,715.4	—	—	—	—	1,715.4
Properties under development	1,308.6	—	—	—	—	1,308.6
Investments in associates	32.8	—	—	—	—	32.8
Convertible bonds	—	—	500.0 (c)	500.0 (c)	(1,000.0)(a)	—
Available-for-sale investments	38.1	—	—	—	—	38.1
Financial assets at fair value through profit or loss	10.2	—	—	—	—	10.2
Loans receivable	8.4	—	—	—	—	8.4
Deposits and prepayments	64.8	—	—	—	—	64.8
Trademark	610.2	—	—	—	—	610.2
Goodwill	261.0	—	—	—	—	261.0
Other assets	0.2	—	—	—	—	0.2
Total non-current assets	23,508.7	—	500.0	500.0	(1,000.0)	23,508.7
CURRENT ASSETS						
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	438.3	—	—	—	—	438.3
Loans receivable	6.7	—	—	—	—	6.7
Held-to-maturity investments	235.7	—	—	—	—	235.7
Financial assets at fair value through profit or loss	861.7	—	—	—	—	861.7
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	1,213.6	—	—	—	—	1,213.6
Cash and bank balances	1,322.2	436.3 (a)	500.0 (a)	500.0 (a)	—	1,461.6
		(296.9)(b)	(500.0)(c)	(500.0)(c)	—	
Total current assets	11,907.7	139.4	64.1	(64.1)	—	12,047.1

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

	The Group as at 31 December 2013					Pro forma Group
	Pro forma adjustments					
	<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>
CURRENT LIABILITIES						
Creditors and accruals	(523.8)	—	—	—	—	(523.8)
Deposits received	(27.0)	—	—	—	—	(27.0)
Interest bearing bank borrowings	(1,624.0)	—	—	—	—	(1,624.0)
Tax payable	(108.7)	—	—	—	—	(108.7)
Total current liabilities	<u>(2,283.5)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,283.5)</u>
NET CURRENT ASSETS	<u>9,624.2</u>	<u>139.4</u>	<u>64.1</u>	<u>(64.1)</u>	<u>—</u>	<u>9,763.6</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>33,132.9</u>	<u>139.4</u>	<u>564.1</u>	<u>435.9</u>	<u>(1,000.0)</u>	<u>33,272.3</u>
NON-CURRENT LIABILITIES						
Creditor and deposits received	(45.0)	—	—	—	—	(45.0)
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(a)	—
Derivative financial instruments	(4.1)	—	(64.1)(b)	64.1 (b)	—	(4.1)
Deferred tax liabilities	(2,322.4)	—	—	—	—	(2,322.4)
Total non-current liabilities	<u>(12,171.8)</u>	<u>—</u>	<u>(564.1)</u>	<u>(435.9)</u>	<u>1,000.0</u>	<u>(12,171.8)</u>
Net assets	<u>20,961.1</u>	<u>139.4</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,100.5</u>
EQUITY						
Share capital	321.0	—	—	—	—	321.0
Reserves	7,539.2	(1.1)(c)	—	—	(40.5)(b)	7,497.6
Dividends	64.2	—	—	—	—	64.2
	7,924.4	(1.1)	—	—	(40.5)	7,882.8
Non-controlling interests	13,036.7	140.5 (c)	—	—	40.5(c)	13,217.7
Total equity	<u>20,961.1</u>	<u>139.4</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,100.5</u>

Notes:

- (1) The balances have been extracted from the audited consolidated statement of financial position of Century City 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.
 - (c) the net change in Century City and non-controlling shareholders' share in the equity of Cosmopolitan resulting from the Cosmopolitan Open Offer assuming that all Cosmopolitan Qualifying Shareholders have taken up their pro-rata 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 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 following adjustments represent:
- (a) 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.
- (b) the excess of the fair value of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds over the increase in the share in the equity of Cosmopolitan attributable to Century City assuming full conversion of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds on 31 December 2013 as illustrated below:

	<i>Note</i>	<i>HK\$'million</i>
Fair value of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds held by the P&R Group		1,000.0
Less: Increase in the P&R Group's share in the equity of Cosmopolitan	(i)	<u>(917.7)</u>
		<u>82.3</u>
49.2% attributable to Century City		<u>40.5</u>

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

(i)

	Change in equity of Cosmopolitan <i>HK\$' million</i>	Equity of Cosmopolitan <i>HK\$' million</i>	P&R Group's shareholding in Cosmopolitan	P&R Group's share in the equity of Cosmopolitan <i>HK\$' million</i>	Increase in P&R Group's share in the equity of Cosmopolitan <i>HK\$' million</i>
P&R Group's share in the equity of Cosmopolitan of HK\$1,244.8 million as at 31 December 2013 (after adjusting for the fair value related adjustments at the P&R Group level and the goodwill recognised by Cosmopolitan in an aggregate amount of HK\$95.1 million)		1,149.7	67.515%	776.2	
Increase in the P&R Group's share in the equity of Cosmopolitan as at 31 December 2013 due to:					
Estimated net proceeds from the Cosmopolitan Open Offer as mentioned in note 2(a)	436.3	1,586.0	67.515%	1,070.8	
Proceeds from the issuance of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds and the change in shareholding due to full conversion of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds into Cosmopolitan Conversion Shares and Cosmopolitan Optional Conversion Shares respectively	1,000.0	2,586.0	76.896%	1,988.5	<u>917.7</u>

(c) the non-controlling shareholders' share of the change in equity of Cosmopolitan assuming full conversion of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds on 31 December 2013 as illustrated below:

	<i>HK\$'million</i>
Increase in non-controlling shareholders' share in the equity of Cosmopolitan at the P&R Group's level	<u>82.3</u>
49.2% attributable to Century City	<u>40.5</u>

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF
THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013**(Assuming all Cosmopolitan Qualifying Shareholders taking up their pro-rata Cosmopolitan Open
Offer Entitlements)

	Pro forma adjustments			Pro forma
	The Group	Pro forma adjustments		Group
	(Note 1)	(Note 2)	(Note 3)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue	3,630.5	—	—	3,630.5
Cost of sales	<u>(2,408.0)</u>	<u>—</u>	<u>—</u>	<u>(2,408.0)</u>
Gross profit	1,222.5	—	—	1,222.5
Other income and gains	74.2	—	—	74.2
Fair value gains on investment properties, net	9.0	—	—	9.0
Fair value losses on financial assets at fair value through profit or loss, net	(66.6)	(64.1)(a) 64.1 (b)	64.1 (a) (64.1)(b)	(66.6)
Gain on disposal of subsidiaries	279.2	—	—	279.2
Administrative expenses	<u>(293.8)</u>	<u>—</u>	<u>—</u>	<u>(293.8)</u>
OPERATING PROFIT BEFORE DEPRECIATION	1,224.5	—	—	1,224.5
Depreciation	<u>(469.2)</u>	<u>—</u>	<u>—</u>	<u>(469.2)</u>
OPERATING PROFIT	755.3	—	—	755.3
Finance costs	(260.5)	—	—	(260.5)
Share of profits and losses of:				
Joint ventures	0.3	—	—	0.3
Associates	<u>40.2</u>	<u>—</u>	<u>—</u>	<u>40.2</u>
PROFIT BEFORE TAX	535.3	—	—	535.3
Income tax	<u>(84.9)</u>	<u>—</u>	<u>—</u>	<u>(84.9)</u>
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	<u>450.4</u>	<u>—</u>	<u>—</u>	<u>450.4</u>
Attributable to:				
Equity holders of the parent	202.0	—	(1.3)(c)	200.7
Non-controlling interests	<u>248.4</u>	<u>—</u>	<u>1.3 (c)</u>	<u>249.7</u>
	<u>450.4</u>	<u>—</u>	<u>—</u>	<u>450.4</u>

Notes:

- (1) The balances have been extracted from the audited consolidated statement of profit or loss of Century City for the year ended 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 fair value loss of HK\$64.1 million (based on a valuation performed by an independent firm of professionally qualified valuers for the fair value of the derivative financial instrument liability on 31 May 2014) on 1 January 2013 recognised 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.
 - (b) the fair value gain of HK\$64.1 million (assuming the same fair value as that of the grantor, Cosmopolitan) on 1 January 2013 recognised 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.
- (3) The following adjustments represent:
 - (a) the fair value gain of HK\$64.1 million (based on a valuation performed by an independent firm of professionally qualified valuers for the fair value of the derivative financial instrument liability on 31 May 2014) on 1 January 2013 recognised 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.
 - (b) the fair value loss of HK\$64.1 million (assuming the same fair value as that of Cosmopolitan) on 1 January 2013 recognised 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.
 - (c) the increase/decrease in Century City and the non-controlling shareholders' share of loss of the Cosmopolitan Group assuming the completion of the Cosmopolitan Open Offer with all Cosmopolitan Qualifying Shareholders taken up their pro-rata Cosmopolitan Open Offer Entitlements and full conversion of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds into Cosmopolitan Conversion Shares and Cosmopolitan Optional Conversion Shares, respectively, on 1 January 2013. It is also assumed that the number of issued ordinary shares of Cosmopolitan on 1 January 2013 is the same as that of 31 December 2013. The pro forma adjustment only reflects the change in the share of loss of the Cosmopolitan Group for the period from 16 September 2013 to 31 December 2013 since Cosmopolitan only became a subsidiary of Century City from 16 September 2013 and it is assumed that no other pro forma adjustment is required for the purpose of the unaudited pro forma consolidated statement of profit or loss of the Group.
- (4) No adjustments have been made to reflect any operating results or other transactions of the Group entered into subsequent to 31 December 2013.
- (5) Except for the pro forma adjustment in note 3(c), the above pro forma adjustments are not expected to have a continuing effect on financial performance of the Group.

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
YEAR ENDED 31 DECEMBER 2013(Assuming all Cosmopolitan Qualifying Shareholders taking up their pro-rata Cosmopolitan Open
Offer Entitlements)

	Pro forma					Group
	The Group	Pro forma adjustments				
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	535.3	—	—	—	—	535.3
Adjustments for:						
Finance costs	260.5	—	—	—	—	260.5
Share of profits and losses of joint ventures	(0.3)	—	—	—	—	(0.3)
Share of profits and losses of associates	(40.2)	—	—	—	—	(40.2)
Interest income	(51.7)	—	—	—	—	(51.7)
Depreciation	469.2	—	—	—	—	469.2
Dividend income	(18.6)	—	—	—	—	(18.6)
Gain on disposal of subsidiaries	(279.2)	—	—	—	—	(279.2)
Gain on disposal of items of property, plant and equipment	(0.1)	—	—	—	—	(0.1)
Write back of other creditors, net	(2.2)	—	—	—	—	(2.2)
Fair value gains on investment properties, net	(9.0)	—	—	—	—	(9.0)
Fair value losses on financial assets at fair value through profit or loss, net	66.6	—	—	—	—	66.6
	930.3	—	—	—	—	930.3
Additions to properties under development	(2,986.6)	—	—	—	—	(2,986.6)
Increase in properties held for sale	(2.5)	—	—	—	—	(2.5)
Increase in financial assets at fair value through profit or loss	(186.9)	—	—	—	—	(186.9)
Increase in derivative financial instruments	(6.3)	—	—	—	—	(6.3)
Increase in inventories	(18.4)	—	—	—	—	(18.4)
Increase in debtors, deposits and prepayments	(909.5)	—	—	—	—	(909.5)
Increase in creditors and accruals	39.6	—	—	—	—	39.6
Decrease in deposits received	(13.9)	—	—	—	—	(13.9)
Cash used in operations	(3,154.2)	—	—	—	—	(3,154.2)
Hong Kong profits tax paid	(75.5)	—	—	—	—	(75.5)
Overseas tax paid	(3.4)	—	—	—	—	(3.4)
Net cash flows used in operating activities	(3,233.1)	—	—	—	—	(3,233.1)

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

	Pro forma					Group
	The Group	Pro forma adjustments				
	<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>
CASH FLOWS FROM INVESTING						
ACTIVITIES						
Acquisition of subsidiaries	425.1	—	—	—	—	425.1
Disposal of subsidiaries	(23.9)	—	—	—	—	(23.9)
Subscription of Cosmopolitan Open Offer Shares	—	(296.9)(b)	—	—	296.9(a)	—
Subscription of Cosmopolitan Convertible Bonds	—	—	(500.0)(b)	—	500.0(b)	—
Subscription of Cosmopolitan Optional Convertible Bonds	—	—	—	(500.0)(b)	500.0(b)	—
Purchases of financial assets at fair value through profit or loss	(360.4)	—	—	—	—	(360.4)
Purchases of available-for-sale investments	(12.9)	—	—	—	—	(12.9)
Purchases of held-to-maturity investments	(551.9)	—	—	—	—	(551.9)
Proceeds from redemption of held-to-maturity investments	591.2	—	—	—	—	591.2
Decrease in loans receivable	10.4	—	—	—	—	10.4
Purchases of investment properties	(661.9)	—	—	—	—	(661.9)
Additions to investment properties	(1.2)	—	—	—	—	(1.2)
Proceeds from disposal of items of property, plant and equipment	0.8	—	—	—	—	0.8
Purchases of items of property, plant and equipment	(530.5)	—	—	—	—	(530.5)
Repayment from a joint venture	1.3	—	—	—	—	1.3
Advances to associates	(22.6)	—	—	—	—	(22.6)
Interest received	45.7	—	—	—	—	45.7
Dividends received from listed and unlisted investments	72.6	—	—	—	—	72.6
Increase in pledged time deposits and bank balances	(109.8)	—	—	—	—	(109.8)
Increase in restricted cash	(7.1)	—	—	—	—	(7.1)
Net cash flows used in investing activities	<u>(1,135.1)</u>	<u>(296.9)</u>	<u>(500.0)</u>	<u>(500.0)</u>	<u>1,296.9</u>	<u>(1,135.1)</u>
CASH FLOWS FROM FINANCING						
ACTIVITIES						
Repurchase and cancellation of ordinary shares	(1.5)	—	—	—	—	(1.5)
Repurchase and cancellation of ordinary shares by a listed subsidiary	(94.8)	—	—	—	—	(94.8)
Proceeds from issue of Cosmopolitan Open Offer Shares	—	436.3(a)	—	—	(296.9)(a)	139.4
Proceeds from issue of convertible bonds	—	—	500.0(a)	500.0(a)	(1,000.0)(b)	—
Increase in other borrowings	1,930.0	—	—	—	—	1,930.0

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

	Pro forma adjustments					Pro forma
	The Group	Pro forma adjustments				Group
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Drawdown of new bank loans	6,823.0	—	—	—	—	6,823.0
Repayment of bank loans	(5,086.9)	—	—	—	—	(5,086.9)
Payment of loan and other costs	(84.3)	—	—	—	—	(84.3)
Net contribution from non-controlling shareholders	6.8	—	—	—	—	6.8
Interest paid	(280.6)	—	—	—	—	(280.6)
Dividends paid	(80.3)	—	—	—	—	(80.3)
Dividends paid to non-controlling shareholders	(227.5)	—	—	—	—	(227.5)
Acquisition of non-controlling interests in listed subsidiaries	(254.6)	—	—	—	—	(254.6)
Increase in restricted cash	(0.6)	—	—	—	—	(0.6)
Net cash flows from financing activities	<u>2,648.7</u>	<u>436.3</u>	<u>500.0</u>	<u>500.0</u>	<u>(1,296.9)</u>	<u>2,788.1</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,719.5)	139.4	—	—	—	(1,580.1)
Cash and cash equivalents at beginning of year	4,234.1	—	—	—	—	4,234.1
Effect of foreign exchange rate changes, net	21.2	—	—	—	—	21.2
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2,535.8</u>	<u>139.4</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,675.2</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	1,322.2	139.4	—	—	—	1,461.6
Non-pledged time deposits with original maturity of less than three months when acquired	<u>1,213.6</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,213.6</u>
	<u>2,535.8</u>	<u>139.4</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,675.2</u>

Notes:

- (1) The balances have been extracted from the audited consolidated statement of cash flows of Century City for the year ended 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 the number of issued ordinary shares of Cosmopolitan on 1 January 2013 is the same as that of 31 December 2013 and all Cosmopolitan Qualifying Shareholders have taken up their pro-rata Cosmopolitan Open Offer Entitlements.
 - (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.
 - (b) the cash consideration of HK\$500.0 million payable by the P&R Group for the subscription of the Cosmopolitan Convertible Bonds.
- (4) The followings represent adjustments to the Group assuming the Cosmopolitan Optional Convertible Bonds were subscribed for the maximum principal amount of HK\$500.0 million on 1 January 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.
 - (b) the cash consideration of HK\$500.0 million payable by the P&R Group for the subscription of the Cosmopolitan Optional Convertible Bonds.
- (5) The following adjustments represent:
- (a) the intragroup's elimination of the effect of the Cosmopolitan Open Offer Shares taken up by the P&R Group.
 - (b) the intragroup's elimination of the effect of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds.
- (6) No adjustments have been made to reflect any operating cash flows or other transactions of the Group entered into subsequent to 31 December 2013.
- (7) The above pro forma adjustments are not expected to have a continuing effect on the cash flows of the Group.

**D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE GROUP AS AT 31 DECEMBER 2013**(Assuming no Cosmopolitan Qualifying Shareholders (other than the P&R Group) taking up their
pro-rata Cosmopolitan Open Offer Entitlements)

	The Group as at 31 December 2013					Pro forma Group
	Pro forma adjustments					
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	
NON-CURRENT ASSETS						
Property, plant and equipment	19,459.0	—	—	—	—	19,459.0
Investment properties	1,715.4	—	—	—	—	1,715.4
Properties under development	1,308.6	—	—	—	—	1,308.6
Investments in associates	32.8	—	—	—	—	32.8
Convertible preference shares	—	373.9 (a)	—	—	—	—
		(373.9)(b)	—	—	—	—
Convertible bonds	—	—	500.0(c)	500.0(c)	(1,000.0)(a)	—
Available-for-sale investments	38.1	—	—	—	—	38.1
Financial assets at fair value through profit or loss	10.2	—	—	—	—	10.2
Loans receivable	8.4	—	—	—	—	8.4
Deposits and prepayments	64.8	—	—	—	—	64.8
Trademark	610.2	—	—	—	—	610.2
Goodwill	261.0	—	—	—	—	261.0
Other assets	0.2	—	—	—	—	0.2
Total non-current assets	<u>23,508.7</u>	<u>—</u>	<u>500.0</u>	<u>500.0</u>	<u>(1,000.0)</u>	<u>23,508.7</u>
CURRENT ASSETS						
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	438.3	—	—	—	—	438.3
Loans receivable	6.7	—	—	—	—	6.7
Held-to-maturity investments	235.7	—	—	—	—	235.7
Financial assets at fair value through profit or loss	861.7	—	—	—	—	861.7
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	1,213.6	—	—	—	—	1,213.6
Cash and bank balances	1,322.2	436.3 (c)	500.0 (c)	500.0 (a)	—	1,318.7
		(439.8)(d)	(500.0)(c)	(500.0)(c)	—	
Total current assets	<u>11,907.7</u>	<u>(3.5)</u>	<u>64.1</u>	<u>(64.1)</u>	<u>—</u>	<u>11,904.2</u>

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

	The Group as at 31 December 2013					Pro forma Group
	Pro forma adjustments					
	<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>
CURRENT LIABILITIES						
Creditors and accruals	(523.8)	—	—	—	—	(523.8)
Deposits received	(27.0)	—	—	—	—	(27.0)
Interest bearing bank borrowings	(1,624.0)	—	—	—	—	(1,624.0)
Tax payable	(108.7)	—	—	—	—	(108.7)
Total current liabilities	<u>(2,283.5)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,283.5)</u>
NET CURRENT ASSETS	<u>9,624.2</u>	<u>(3.5)</u>	<u>64.1</u>	<u>(64.1)</u>	<u>—</u>	<u>9,620.7</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>33,132.9</u>	<u>(3.5)</u>	<u>564.1</u>	<u>435.9</u>	<u>(1,000.0)</u>	<u>33,129.4</u>
NON-CURRENT LIABILITIES						
Creditor and deposits received	(45.0)	—	—	—	—	(45.0)
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(a)	—
Derivative financial instruments	(4.1)	—	(64.1)(b)	64.1 (b)	—	(4.1)
Deferred tax liabilities	(2,322.4)	—	—	—	—	(2,322.4)
Total non-current liabilities	<u>(12,171.8)</u>	<u>—</u>	<u>(564.1)</u>	<u>(435.9)</u>	<u>1,000.0</u>	<u>(12,171.8)</u>
Net assets	<u>20,961.1</u>	<u>(3.5)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,957.6</u>
EQUITY						
Share capital	321.0	—	—	—	—	321.0
Convertible preference shares	—	373.9 (a)	—	—	—	—
		(373.9)(b)	—	—	—	—
Reserves	7,539.2	97.5 (e)	—	—	(13.5)(b)	7,623.2
Dividends	64.2	—	—	—	—	64.2
	7,924.4	97.5	—	—	(13.5)	8,008.4
Non-controlling interests	<u>13,036.7</u>	<u>(101.0)(e)</u>	<u>—</u>	<u>—</u>	<u>13.5 (c)</u>	<u>12,949.2</u>
Total equity	<u>20,961.1</u>	<u>(3.5)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,957.6</u>

Notes:

- (1) The balances have been extracted from the audited consolidated statement of financial position of Century City 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 recognition of the Cosmopolitan Convertible Preference Shares of HK\$373.9 million (based on the cash consideration payable by the P&R Group to Cosmopolitan which is assumed to represent the fair value of the

- Cosmopolitan Convertible Preference Shares) as a non-current asset by the P&R Group and equity by Cosmopolitan at initial recognition and at 31 December 2013 assuming that no Cosmopolitan Qualifying Shareholders (other than the P&R Group) have taken up their Cosmopolitan Open Offer Entitlements and the P&R Group has fully underwritten the Cosmopolitan Open Offer under the Underwriting Agreement provided that Cosmopolitan will continue to comply with the minimum public float requirement under the Listing Rules i.e. 25% upon closing of the Cosmopolitan Open Offer.
- (b) the derecognition of the Cosmopolitan Convertible Preference Shares of HK\$373.9 million as a non-current asset by the P&R Group and equity by Cosmopolitan assuming the exercise of the conversion rights by the P&R Group in full to convert all of the Cosmopolitan Convertible Preference Shares into Cosmopolitan Converted Shares on 31 December 2013.
 - (c) 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 no Cosmopolitan Qualifying Shareholders (other than the P&R Group) have taken up their pro-rata Cosmopolitan Open Offer Entitlements and the P&R Group has fully underwritten the Cosmopolitan Open Offer.
 - (d) the cash consideration of HK\$439.8 million payable by the P&R Group to Cosmopolitan for taking up its Cosmopolitan Open Offer Entitlements and fully underwriting the Cosmopolitan Open Offer.
 - (e) the net change in Century City and non-controlling shareholders' share in the equity of Cosmopolitan resulting from the Cosmopolitan Open Offer assuming that no Cosmopolitan Qualifying Shareholders (other than the P&R Group) have taken up their pro-rata Cosmopolitan Open Offer Entitlements, the P&R Group has fully underwritten the Cosmopolitan Open Offer, and the exercise of the conversion rights by the P&R Group in full to convert the Cosmopolitan Convertible Preference Shares into Cosmopolitan Converted Shares on 31 December 2013.
- (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 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 following adjustments represent:
- (a) 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.
 - (b) the excess of the fair value of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds over the increase in the share in the equity of Cosmopolitan attributable to Century City assuming full conversion of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds on 31 December 2013 as illustrated below:

	<i>Note</i>	<i>HK\$'million</i>
Fair value of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds held by the P&R Group		1,000.0
Less: Increase in the P&R Group's share in the equity of Cosmopolitan	(i)	<u>(972.6)</u>
		<u>27.4</u>
49.2% attributable to Century City		<u>13.5</u>

(i)

	Change in equity of Cosmopolitan <i>HK\$' million</i>	Equity of Cosmopolitan <i>HK\$' million</i>	P&R Group's shareholding in Cosmopolitan	P&R Group's share in the equity of Cosmopolitan <i>HK\$' million</i>	Increase in P&R Group's share in the equity of Cosmopolitan <i>HK\$' million</i>
P&R Group's share in the equity of Cosmopolitan of HK\$1,244.8 million as at 31 December 2013 (after adjusting for the fair value related adjustments at the P&R Group level and the goodwill recognised by Cosmopolitan in an aggregate amount of HK\$95.1 million)		1,149.7	67.515%	776.2	
Increase in the P&R Group's share in the equity of Cosmopolitan as at 31 December 2013 due to:					
Estimated net proceeds from the Cosmopolitan Open Offer as mentioned in note 2(a) and the change in shareholding due to the exercise of the conversion rights by the P&R Group in full to convert the Cosmopolitan Convertible Preference Shares into Cosmopolitan Converted Shares	436.3	1,586.0	89.172%	1,414.3	
Proceeds from the issuance of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds and the change in shareholding due to full conversion of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds into Cosmopolitan Conversion Shares and Cosmopolitan Optional Conversion Shares respectively	1,000.0	2,586.0	92.299%	2,386.9	<u>972.6</u>

(c) the non-controlling shareholders' share of the change in equity of Cosmopolitan assuming full conversion of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds on 31 December 2013 as illustrated below:

	<i>HK\$' million</i>
Increase in non-controlling shareholders' share in the equity of Cosmopolitan at the P&R Group's level	<u>27.4</u>
49.2% attributable to Century City	<u>13.5</u>

E. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013
(Assuming no Cosmopolitan Qualifying Shareholders (other than the P&R Group) taking up their pro-rata Cosmopolitan Open Offer Entitlements)

	The Group		Pro forma adjustments			Pro forma Group
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue	3,630.5	—	—	—	—	3,630.5
Cost of sales	(2,408.0)	—	—	—	—	(2,408.0)
Gross profit	1,222.5	—	—	—	—	1,222.5
Other income and gains	74.2	—	—	—	—	74.2
Fair value gains on investment properties, net	9.0	—	—	—	—	9.0
Fair value losses on financial assets at fair value through profit or loss, net	(66.6)	—	(64.1)(a)	64.1 (a)	—	(66.6)
			64.1 (b)	(64.1)(b)		
Gain on disposal of subsidiaries	279.2	—	—	—	—	279.2
Administrative expenses	(293.8)	—	—	—	—	(293.8)
OPERATING PROFIT BEFORE DEPRECIATION	1,224.5	—	—	—	—	1,224.5
Depreciation	(469.2)	—	—	—	—	(469.2)
OPERATING PROFIT	755.3	—	—	—	—	755.3
Finance costs	(260.5)	—	—	—	—	(260.5)
Share of profits and losses of:						
Joint ventures	0.3	—	—	—	—	0.3
Associates	40.2	—	—	—	—	40.2
PROFIT BEFORE TAX	535.3	—	—	—	—	535.3
Income tax	(84.9)	—	—	—	—	(84.9)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	450.4	—	—	—	—	450.4
Attributable to:						
Equity holders of the parent	202.0	(2.9)	—	—	(0.4)	198.7
Non-controlling interests	248.4	2.9	—	—	0.4	251.7
	450.4	—	—	—	—	450.4

Notes:

- (1) The balances have been extracted from the audited consolidated statement of profit or loss of Century City for the year ended 31 December 2013 as set out in its published annual report for the year ended 31 December 2013.
- (2) The adjustments represent the increase/decrease in Century City and the non-controlling shareholders' share of loss of the Cosmopolitan Group assuming the completion of the Cosmopolitan Open Offer with no Cosmopolitan Qualifying Shareholders (other than the P&R Group) taken up their pro-rata Cosmopolitan Open Offer Entitlements and full conversion of the Cosmopolitan Convertible Preference Shares taken up by the P&R Group into Cosmopolitan Converted Shares on 1 January 2013. It is also assumed that the number of issued ordinary shares of Cosmopolitan on 1 January 2013 is the same as that of 31 December 2013. The pro forma adjustments only reflect the change in the share of loss of the Cosmopolitan Group for the period from 16 September 2013 to 31 December 2013 since Cosmopolitan only became a subsidiary of Century City from 16 September 2013 and it is assumed that no other pro forma adjustment is required for the purpose of the unaudited pro forma consolidated statement of profit or loss of the Group.
- (3) The following adjustments represent:
 - (a) the fair value loss of HK\$64.1 million (based on a valuation performed by an independent firm of professionally qualified valuers for the fair value of the derivative financial instrument liability on 31 May 2014) on 1 January 2013 recognised 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.
 - (b) the fair value gain of HK\$64.1 million (assuming the same fair value as that of the grantor, Cosmopolitan) on 1 January 2013 recognised 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 following adjustments represent:
 - (a) the fair value gain of HK\$64.1 million (based on a valuation performed by an independent firm of professionally qualified valuers for the fair value of the derivative financial instrument liability on 31 May 2014) on 1 January 2013 recognised 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.
 - (b) the fair value loss of HK\$64.1 million (assuming the same fair value as that of Cosmopolitan) on 1 January 2013 recognised 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 increase/decrease in Century City and the non-controlling shareholders' share of loss of the Cosmopolitan Group 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 1 January 2013. It is also assumed that the number of issued ordinary shares of Cosmopolitan on 1 January 2013 is the same as that of 31 December 2013. The pro forma adjustment only reflects the change in the share of loss of the Cosmopolitan Group for the period from 16 September 2013 to 31 December 2013 since Cosmopolitan only became a subsidiary of Century City from 16 September 2013 and it is assumed that no other pro forma adjustment is required for the purpose of the unaudited pro forma consolidated statement of profit or loss of the Group.
- (6) No adjustments have been made to reflect any operating results or other transactions of the Group entered into subsequent to 31 December 2013.
- (7) Except for the pro forma adjustments in notes 2 and 5, the above pro forma adjustments are not expected to have a continuing effect on financial performance of the Group.

**F. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
YEAR ENDED 31 DECEMBER 2013****(Assuming no Cosmopolitan Qualifying Shareholders (other than the P&R Group) taking up their
pro-rata Cosmopolitan Open Offer Entitlements)**

	Pro forma					Group
	The Group	Pro forma adjustments				
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	535.3	—	—	—	—	535.3
Adjustments for:						
Finance costs	260.5	—	—	—	—	260.5
Share of profits and losses of joint ventures	(0.3)	—	—	—	—	(0.3)
Share of profits and losses of associates	(40.2)	—	—	—	—	(40.2)
Interest income	(51.7)	—	—	—	—	(51.7)
Depreciation	469.2	—	—	—	—	469.2
Dividend income	(18.6)	—	—	—	—	(18.6)
Gain on disposal of subsidiaries	(279.2)	—	—	—	—	(279.2)
Gain on disposal of items of property, plant and equipment	(0.1)	—	—	—	—	(0.1)
Write back of other creditors, net	(2.2)	—	—	—	—	(2.2)
Fair value gains on investment properties, net	(9.0)	—	—	—	—	(9.0)
Fair value losses on financial assets at fair value through profit or loss, net	66.6	—	—	—	—	66.6
	930.3	—	—	—	—	930.3
Additions to properties under development	(2,986.6)	—	—	—	—	(2,986.6)
Increase in properties held for sale	(2.5)	—	—	—	—	(2.5)
Increase in financial assets at fair value through profit or loss	(186.9)	—	—	—	—	(186.9)
Increase in derivative financial instruments	(6.3)	—	—	—	—	(6.3)
Increase in inventories	(18.4)	—	—	—	—	(18.4)
Increase in debtors, deposits and prepayments	(909.5)	—	—	—	—	(909.5)
Increase in creditors and accruals	39.6	—	—	—	—	39.6
Decrease in deposits received	(13.9)	—	—	—	—	(13.9)
Cash used in operations	(3,154.2)	—	—	—	—	(3,154.2)
Hong Kong profits tax paid	(75.5)	—	—	—	—	(75.5)
Overseas tax paid	(3.4)	—	—	—	—	(3.4)
Net cash flows used in operating activities	(3,233.1)	—	—	—	—	(3,233.1)

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

	Pro forma					Group
	The Group	Pro forma adjustments				
	<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>
CASH FLOWS FROM INVESTING						
ACTIVITIES						
Acquisition of subsidiaries	425.1	—	—	—	—	425.1
Disposal of subsidiaries	(23.9)	—	—	—	—	(23.9)
Subscription of Cosmopolitan Open Offer Shares and Cosmopolitan Convertible Preference Shares	—	(439.8)(b)	—	—	439.8(a)	—
Subscription of Cosmopolitan Convertible Bonds	—	—	(500.0)(b)	—	500.0(b)	—
Subscription of Cosmopolitan Optional Convertible Bonds	—	—	—	(500.0)(b)	500.0(b)	—
Purchases of financial assets at fair value through profit or loss	(360.4)	—	—	—	—	(360.4)
Purchases of available-for-sale investments	(12.9)	—	—	—	—	(12.9)
Purchases of held-to-maturity investments	(551.9)	—	—	—	—	(551.9)
Proceeds from redemption of held-to-maturity investments	591.2	—	—	—	—	591.2
Decrease in loans receivable	10.4	—	—	—	—	10.4
Purchases of investment properties	(661.9)	—	—	—	—	(661.9)
Additions to investment properties	(1.2)	—	—	—	—	(1.2)
Proceeds from disposal of items of property, plant and equipment	0.8	—	—	—	—	0.8
Purchases of items of property, plant and equipment	(530.5)	—	—	—	—	(530.5)
Repayment from a joint venture	1.3	—	—	—	—	1.3
Advances to associates	(22.6)	—	—	—	—	(22.6)
Interest received	45.7	—	—	—	—	45.7
Dividends received from listed and unlisted investments	72.6	—	—	—	—	72.6
Increase in pledged time deposits and bank balances	(109.8)	—	—	—	—	(109.8)
Increase in restricted cash	(7.1)	—	—	—	—	(7.1)
Net cash flows used in investing activities	<u>(1,135.1)</u>	<u>(439.8)</u>	<u>(500.0)</u>	<u>(500.0)</u>	<u>1,439.8</u>	<u>(1,135.1)</u>
CASH FLOWS FROM FINANCING						
ACTIVITIES						
Repurchase and cancellation of ordinary shares	(1.5)	—	—	—	—	(1.5)
Repurchase and cancellation of ordinary shares by a listed subsidiary	(94.8)	—	—	—	—	(94.8)
Proceeds from issue of Cosmopolitan Open Offer Shares and Cosmopolitan Convertible Preference Shares	—	436.3(a)	—	—	(439.8)(a)	(3.5)
Proceeds from issue of convertible bonds	—	—	500.0(a)	500.0(a)	(1,000.0)(b)	—

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

	Pro forma					Group
	The Group	Pro forma adjustments				
	<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>
Increase in other borrowings	1,930.0	—	—	—	—	1,930.0
Drawdown of new bank loans	6,823.0	—	—	—	—	6,823.0
Repayment of bank loans	(5,086.9)	—	—	—	—	(5,086.9)
Payment of loan and other costs	(84.3)	—	—	—	—	(84.3)
Net contribution from non-controlling shareholders	6.8	—	—	—	—	6.8
Interest paid	(280.6)	—	—	—	—	(280.6)
Dividends paid	(80.3)	—	—	—	—	(80.3)
Dividends paid to non-controlling shareholders	(227.5)	—	—	—	—	(227.5)
Acquisition of non-controlling interests in listed subsidiaries	(254.6)	—	—	—	—	(254.6)
Increase in restricted cash	(0.6)	—	—	—	—	(0.6)
Net cash flows from financing activities	<u>2,648.7</u>	<u>436.3</u>	<u>500.0</u>	<u>500.0</u>	<u>(1,439.8)</u>	<u>2,645.2</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,719.5)	(3.5)	—	—	—	(1,723.0)
Cash and cash equivalents at beginning of year	4,234.1	—	—	—	—	4,234.1
Effect of foreign exchange rate changes, net	21.2	—	—	—	—	21.2
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>2,535.8</u></u>	<u><u>(3.5)</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>2,532.3</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	1,322.2	(3.5)	—	—	—	1,318.7
Non-pledged time deposits with original maturity of less than three months when acquired	<u>1,213.6</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,213.6</u>
	<u><u>2,535.8</u></u>	<u><u>(3.5)</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>2,532.3</u></u>

Notes:

- (1) The balances have been extracted from the audited consolidated statement of cash flows of Century City for the year ended 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 the number of issued ordinary shares of Cosmopolitan on 1 January 2013 is the same as that of 31 December 2013, no Cosmopolitan Qualifying Shareholders (other than the P&R Group) have taken up their pro-rata Cosmopolitan Open Offer Entitlements and the P&R Group has fully underwritten the Cosmopolitan Open Offer.

- (b) the cash consideration of HK\$439.8 million payable by the P&R Group to Cosmopolitan for taking up its Cosmopolitan Open Offer Entitlements and fully underwriting the Cosmopolitan Open Offer.
- (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.
 - (b) the cash consideration of HK\$500.0 million payable by the P&R Group for the subscription of the Cosmopolitan Convertible Bonds.
- (4) The followings represent adjustments to the Group assuming the Cosmopolitan Optional Convertible Bonds were subscribed for the maximum principal amount of HK\$500.0 million on 1 January 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.
 - (b) the cash consideration of HK\$500.0 million payable by the P&R Group for the subscription of the Cosmopolitan Optional Convertible Bonds.
- (5) The following adjustments represent:
- (a) the intragroup's elimination of the effect of the Cosmopolitan Open Offer Shares and Cosmopolitan Convertible Preference Shares (which were assumed to have been converted into Cosmopolitan Converted Shares on 1 January 2013) taken up by the P&R Group.
 - (b) the intragroup's elimination of the effect of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds.
- (6) No adjustments have been made to reflect any operating cash flows or other transactions of the Group entered into subsequent to 31 December 2013.
- (7) The above pro forma adjustments are not expected to have a continuing effect on the cash flows of the Group Preference Shares.

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

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of Century City, 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
Century City International Holdings Limited
11th Floor
68 Yee Wo Street
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**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 Century City International 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 consolidated statement of financial position of the Group as at 31 December 2013, the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2013, and related notes as set out on pages VI-1 to VI-23 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 and the Group’s financial performance and cash flows for the year ended 31 December 2013 as if the Transactions had taken place at 31 December 2013 and 1 January 2013, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows 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 Transactions 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 Century City 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 Century City. The Century City 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

Century City Directors, chief executive and senior management

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

Century City/ Name of associated corporation	Name of Century City 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. 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. Kelvin Leung So Po	Ordinary (issued)	4,000	—	—	4,000 (0.000%)	
	Mr. Ng Siu Chan	Ordinary (issued)	—	—	3,521,973	3,521,973 (0.11%)	

APPENDIX VII
GENERAL INFORMATION

Century City/ Name of associated corporation	Name of Century City Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Corporate interests	Family/ Other interests		
2. 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%)	
	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. Donald Fan Tung	Ordinary (issued)	556	—	—	556 (0.000%)	
	Mr. Kelvin Leung So Po	Ordinary (issued)	390,185	—	—	390,185 (0.03%)	
	Mr. Ng Siu Chan	Ordinary (issued)	—	—	80,474	80,474 (0.007%)	
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. Kelvin Leung So Po	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%)	
5. Regal REIT	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%)	
	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%)	

APPENDIX VII
GENERAL INFORMATION

	Century City/ Name of associated corporation	Name of Century City 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	
7.	8D Matrix Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	2,000,000 (Note i)	—	2,000,000 (100%)
8.	8D International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	500,000 (Note j)	—	500,000 (100%)
9.	8D International (China) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 (Note k)	—	1 (100%)
10.	Century Digital Communications (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 (Note l)	—	1 (100%)
11.	Century Digital Communications Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	2 (Note m)	—	2 (100%)
12.	Century Digital Enterprise Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	100 (Note n)	—	100 (100%)
13.	Century Digital Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	3 (Note o)	—	3 (100%)
14.	Century Digital Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	49,968 (Note p)	—	49,968 (99.94%)
15.	China Noble Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 (Note q)	—	1 (100%)
16.	Full Range Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	10,000 (Note r)	—	10,000 (100%)
17.	Giant Forward Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 (Note s)	—	1 (100%)
18.	Grand Modern Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	330 (Note t)	—	330 (100%)
19.	Important Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	10,000 (Note u)	—	10,000 (100%)
20.	Net Age Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	97 (Note v)	—	97 (100%)

APPENDIX VII
GENERAL INFORMATION

Century City/ Name of associated corporation	Name of Century City 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		
21. Net Community Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	3 <i>(Note w)</i>	—	3 (100%)	
22. Pilot Pro Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 <i>(Note x)</i>	—	1 (100%)	
23. Speedway Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	50,000 <i>(Note y)</i>	—	50,000 (100%)	
24. Task Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1 <i>(Note z)</i>	—	1 (100%)	
25. Top Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	10,000 <i>(Note aa)</i>	—	10,000 (100%)	
26. Treasure Collection International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	2 <i>(Note ab)</i>	—	2 (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 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.
- (i) 800,000 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 1,200,000 shares were held through companies controlled by Mr. Lo (including 8D International (BVI) Limited).

- (j) The interests in these shares of 8D International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

- (k) The interest in the share of 8D International (China) Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

(l) The interest in the share of Century Digital Communications (BVI) Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(m) The interests in these shares of Century Digital Communications Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Communications (BVI) Limited	Important Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Communications (BVI) Limited	Important Holdings Limited	100.00

- (n) The interests in these shares of Century Digital Enterprise Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Investments Limited	Important Holdings Limited	99.93

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Investments Limited	Important Holdings Limited	99.93

- (o) The interests in these shares of Century Digital Holdings Limited were held through corporations wholly owned by Mr. Lo.

- (p) The interests in these shares of Century Digital Investments Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(q) The interest in the share of China Noble Investments Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00

(r) The interests in these shares of Full Range Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

- (s) The interest in the share of Giant Forward Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

- (t) The interests in these shares of Grand Modern Investments Limited were held through corporations wholly owned by Mr. Lo.

- (u) The interests in these shares of Important Holdings Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Secure Way Technology Limited	Mr. Lo	100.00

- (v) The interests in these shares of Net Age Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Investments Limited	Important Holdings Limited	99.93

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Investments Limited	Important Holdings Limited	99.93

- (w) The interests in these shares of Net Community Limited were held through a corporation wholly owned by Mr. Lo.

- (x) The interest in the share of Pilot Pro Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

(y) The interests in these shares of Speedway Technology Limited were held through corporations wholly owned by Mr. Lo.

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(z) The interest in the share of Task Master Technology Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00

(aa) The interests in these shares of Top Technologies Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(ab) The interests in these shares of Treasure Collection International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.24
Century City BVI Holdings Limited	Century City	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00

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

Substantial shareholders

As at the Latest Practicable Date, so far as is known to the Century City Directors and the chief executive of Century City, the following persons (other than a Century City Director or the chief executive of Century City) had an interest or short position in the shares and underlying shares of Century City as recorded in the register required to be kept under section 336 of the SFO or notified to Century City 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
Secure Way Technology Limited ("Secure Way") (Notes i and ii)	1,630,416,666	—	1,630,416,666	50.79%
Net Community Limited ("Net Community") (Notes i, ii and iii)	1,630,416,666	—	1,630,416,666	50.79%
Century Digital Holdings Limited ("Century Digital") (Notes i, ii and iv)	1,630,416,666	—	1,630,416,666	50.79%
Grand Modern Investments Limited ("Grand Modern") (Notes i, ii and v)	1,630,416,666	—	1,630,416,666	50.79%
Dalton Investments LLC	385,084,296	—	385,084,296	12.00%

Notes:

- (i) These companies are wholly owned by Mr. Lo Yuk Sui and their interests in ordinary shares are included in the corporate interests of Mr. Lo Yuk Sui in Century City as disclosed in the section headed "Century City Directors, chief executive and senior management under the "Disclosure of Interests" above.
- (ii) The interests in these ordinary shares are directly held by Grand Modern.
- (iii) Net Community is wholly owned by Secure Way.
- (iv) Century Digital is wholly owned by Net Community.
- (v) Grand Modern is wholly owned by Century Digital.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Century City Directors and the chief executive of Century City, no other Century City Director was a director or employee of a company which had an interest or short position in the shares and underlying shares of Century City which would fall to be disclosed to Century City 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.

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

- (1) Mr. Lo Yuk Sui is a director of Secure Way.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Net Community, Century Digital and Grand Modern.

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 Century City 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 Century City 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 Century City 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 Century City 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 Century City Directors and their associates were appointed to represent the interests of Century City and/or the Group.

5. LITIGATION

So far as the Century City 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:

Name	Qualification
Ernst & Young	Certified Public Accountants

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

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

As at the Latest Practicable Date, Ernst & Young did not have, nor had had, any direct or indirect interest in any assets which have since 31 December 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 Century City 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.

8. MISCELLANEOUS

- (a) The registered office of Century City is at 26 Burnaby Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of Century City in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

* *For identification purpose only*

- (c) The secretary of Century City 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 Century City in Hong Kong is Tricor Tengis Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the above head office and principal place of business of Century City in Hong Kong from the date of this circular up to and including the date of the SGM during normal business hours:

- (a) the memorandum of association and bye-laws of Century City;
- (b) the annual reports of Century City 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.

NOTICE OF THE SGM



NOTICE IS HEREBY GIVEN that a special general meeting of Century City International Holdings Limited (“**Company**”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 14 July 2014 at 10:45 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions, which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTION 1

“**THAT:-**

(a) the following transactions, being:-

- (i) the entering into of the Underwriting Agreement (as defined in the circular of the Company dated 25 June 2014 (“**Circular**”)), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification, between Cosmopolitan International Holdings Limited (“**Cosmopolitan**”) and P&R Strategic Limited as the underwriter (“**Underwriter**”) in respect of the Cosmopolitan Open Offer (as defined in the Circular);
- (ii) the giving of the Irrevocable Undertaking (as defined in the Circular) in respect of the Cosmopolitan Open Offer, a copy of which Irrevocable Undertaking has been produced to this meeting marked “B” and signed by the chairman of this meeting for the purpose of identification, by P&R Holdings Limited (on behalf of certain of its wholly-owned subsidiaries) in favour of Cosmopolitan and the Underwriter in respect of the Cosmopolitan Open Offer; and
- (iii) the transactions contemplated under the Cosmopolitan Open Offer, the Underwriting Agreement and the Irrevocable Undertaking (including, but not limited to, making application, excess application and subscription for any Cosmopolitan Open Offer Shares and Cosmopolitan Convertible Preference Shares (both as defined in the Circular) under the Cosmopolitan Open Offer, the underwriting of any of the said shares, any possible exercise of the conversion rights under the Cosmopolitan Convertible Preference Shares and subscription of the ordinary shares of Cosmopolitan on exercise of such conversion rights),

be and are hereby approved; and

NOTICE OF THE SGM

- (b) the directors of the Company be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to transactions mentioned in paragraph (a) above, including where appropriate, agreeing to any non-material amendments to the terms and conditions of the Underwriting Agreement, the Irrevocable Undertaking and any other agreements made by the parties to the relevant legal documents in relation thereto or to the Cosmopolitan Open Offer to the extent permitted by the Listing Rules (as defined in the Circular) and the applicable laws and in the interests of the Company and its shareholders as a whole.”

ORDINARY RESOLUTION 2

“**THAT:-**

- (a) the entering into of the Cosmopolitan Convertible Bonds Subscription Agreement (as defined in the circular of the Company dated 25 June 2014 (“**Circular**”)), a copy of which Cosmopolitan Convertible Bonds Subscription Agreement has been produced to this meeting marked “C” and signed by the chairman of this meeting for the purpose of identification, between Cosmopolitan International Holdings Limited (“**Cosmopolitan**”) and P&R Holdings Limited and the transactions contemplated thereunder (including the subscription of the Cosmopolitan Convertible Bonds (as defined in the Circular), the possible subscription of the Cosmopolitan Optional Convertible Bonds (as defined in the Circular), any possible exercise of the conversion rights under the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds and subscription of the ordinary shares of Cosmopolitan on exercise of such conversion rights) be and are hereby approved; and
- (b) the directors of the Company be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to transactions mentioned in paragraph (a) above, including where appropriate, agreeing to any non-material amendments to the terms and conditions of the Cosmopolitan Convertible Bonds Subscription Agreement and any other agreements made by the parties to the relevant legal documents in relation thereto to the extent permitted by the Listing Rules (as defined in the Circular) and the applicable laws and in the interests of the Company and its shareholders as a whole.”

By order of the board of directors of
Century City International Holdings Limited
Eliza Lam Sau Fun
Secretary

Hong Kong, 25 June 2014

NOTICE OF THE SGM

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

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf at the meeting. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy, and for this purpose seniority shall be determined by the order in which the names stand in the register of the Company in respect of the joint holdings.
4. Votes cast at a general meeting will be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.
5. In the event that a typhoon signal no. 8 (or above) or a black rainstorm warning is in effect on the day of the meeting, shareholders are requested to call the Company's hotline at (852) 2894-7546 on that day to enquire about the arrangements of the meeting.