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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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, professional 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 purchasers or transferees 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 the transferee(s).

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**MAJOR TRANSACTIONS IN RELATION TO**  
**(I) FIRST COSMO SHARES TRANSFER;**  
**(II) AMTD I ACQUISITION;**  
**(III) CIDL DISPOSAL;**  
**(IV) AMTD II ACQUISITION;**  
**(V) HOTEL INTERESTS DISPOSAL; AND**  
**(VI) HOTEL FINANCIAL ASSISTANCE**

**VERY SUBSTANTIAL ACQUISITION**  
**IN RELATION TO AMTD III ACQUISITION**

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO**  
**SECOND COSMO SHARES TRANSFER**

**NOTICE OF SPECIAL GENERAL MEETING**

**Financial adviser**



**Yue Xiu Capital Limited**

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 13 to 64 of this circular.

The notice convening the special general meeting of Century City in respect of the AMTD III Share Swap (comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition) to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 24 April 2020 at 11:00 a.m. (the "SGM") is appended to this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend and vote at 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

31 March 2020

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## DEFINITIONS

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

“ADS(s)”	American depository share(s) of AMTD, each representing one AMTD Class A Share, that are listed on the New York Stock Exchange
“AMTD”	AMTD International Inc., a company incorporated in the Cayman Islands, the ADSs of which are listed on the New York Stock Exchange (Symbol: HKIB)
“AMTD Class A Share(s)”	Class A ordinary share(s) of AMTD
“AMTD Class B Share(s)”	Class B ordinary share(s) of AMTD
“AMTD I Acquisition”	the acquisition of AMTD I Shares by P&R Finance at the AMTD Shares Acquisition Price pursuant to the AMTD I Acquisition Agreement
“AMTD I Acquisition Agreement”	the agreement dated 31 December 2019 entered into between P&R Finance and the AMTD Shares Vendor in respect of the AMTD I Acquisition
“AMTD I Shares”	5,674,000 AMTD Class A Shares acquired by P&R Finance under the AMTD I Acquisition
“AMTD II Acquisition”	the acquisition of the AMTD II Shares by the AMTD II Purchaser at the AMTD Shares Acquisition Price pursuant to the AMTD II Acquisition Agreement
“AMTD II Acquisition Agreement”	the agreement dated 31 December 2019 entered into between AMTD II Purchaser and the AMTD Shares Vendor in respect of the AMTD II Acquisition
“AMTD II Purchaser”	Clear Radiant Limited, a company incorporated in BVI and a wholly-owned subsidiary of Cosmopolitan
“AMTD II Shares”	6,069,000 AMTD Class A Shares to be acquired by the AMTD II Purchaser under the AMTD II Acquisition
“AMTD III Acquisition”	the acquisition of AMTD III Shares by P&R Finance at the AMTD Shares Acquisition Price pursuant to the AMTD III Acquisition Agreement
“AMTD III Acquisition Agreement”	the agreement dated 24 January 2020 entered into between P&R Finance and the AMTD Shares Vendor in respect of the AMTD III Acquisition

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## DEFINITIONS

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“AMTD III Share Swap”	collectively, the Second Cosmo Shares Transfer and the AMTD III Acquisition
“AMTD III Shares”	9,500,000 AMTD Class A Shares to be acquired by P&R Finance under the AMTD III Acquisition
“AMTD Prospectus”	the prospectus dated 2 August 2019 issued by AMTD
“AMTD Share(s)”	collectively, AMTD Class A Share(s) and AMTD Class B Share(s)
“AMTD Shares Acquisition”	the transactions contemplated under the AMTD I Acquisition Agreement, the AMTD II Acquisition Agreement and the AMTD III Acquisition Agreement
“AMTD Shares Acquisition Price”	the price per AMTD Class A Share under the AMTD I Acquisition, the AMTD II Acquisition and the AMTD III Acquisition, being US\$8.45 per AMTD Class A Share
“AMTD Shares Vendor”	AMTD Group Company Limited, a company incorporated in BVI and the controlling shareholder of AMTD
“associate(s)”	has the meaning ascribed to such term in the Listing Rules
“Beijing Fuli”	北京富利投資管理有限公司 (Beijing Fuli Investment Management Company Limited*), a company established under the laws of the PRC and a wholly-owned subsidiary of CIDL
“Board”	board of the Directors
“Business Day”	a day (excluding Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Century City Group”	Century City and its subsidiaries
“Century City Shareholder(s)”	the holder(s) of the ordinary shares in the share capital of Century City with a nominal value of HK\$0.1 each

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## DEFINITIONS

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“Chengdu Fuhui Debts”	the total amount of the CIDL Subsidiary Deposit and the principal amounts outstanding under the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility, together with any interest accrued under the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement
“CIDL”	Cosmopolitan International Development Limited, a company incorporated in the BVI, a wholly-owned subsidiary of CIDL Seller and an indirect wholly-owned subsidiary of Cosmopolitan
“CIDL Completion Date”	the date on which completion of CIDL Disposal Agreement will take place, which shall be on the 5th Business Day after fulfilment of the condition precedent (or such other date as the parties to the CIDL Disposal Agreement may agree in writing)
“CIDL Consideration”	the consideration for the CIDL Disposal, being a sum of HK\$400.0 million
“CIDL Disposal”	the transactions contemplated under the CIDL Disposal Agreement
“CIDL Disposal Agreement”	the sale and purchase agreement dated 31 December 2019 entered into between the CIDL Seller and the CIDL Purchaser in respect of the CIDL Disposal
“CIDL Group”	CIDL and its subsidiaries, including CIDL Subsidiary
“CIDL Loan”	any and all loans and other debts owing to the CIDL Seller by the CIDL Group and outstanding at CIDL Completion Date, which amounted to approximately HK\$746.2 million as at the Latest Practicable Date
“CIDL MOU”	the memorandum of understanding dated 1 November 2019 entered into between the CIDL Seller and Sino Insight Investments Limited in relation to the potential disposal of CIDL
“CIDL Purchaser”	Fortis Fund IV Limited, a company incorporated in the Cayman Islands
“CIDL Related Transactions”	collectively, the CIDL Disposal and the AMTD II Acquisition
“CIDL Seller”	Groupsource Investments Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Cosmopolitan

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## DEFINITIONS

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“CIDL Share”	the entire issued share capital of CIDL, which is legally and beneficially owned by the CIDL Seller before the completion of the CIDL Disposal
“CIDL Subsidiary”	成都富薈實業有限公司 (Chengdu Fuhui Company Limited*), a company established under the laws of the PRC, an indirect wholly-owned subsidiary of CIDL and an indirect wholly-owned subsidiary of Cosmopolitan
“CIDL Subsidiary Deposit”	the deposit in the total sum of RMB170.0 million paid by CIDL Subsidiary to Yuanchang Logistics and its controlling shareholder pursuant to the CIDL Subsidiary Deposit Agreement
“CIDL Subsidiary Deposit Agreement”	the agreement dated 16 August 2018 entered into between CIDL Subsidiary, Yuancheng Logistics and its controlling shareholder in respect of the payment of the CIDL Subsidiary Deposit by the CIDL Subsidiary to Yuancheng Logistics and its controlling shareholder for the Possible JV Investment, as amended and supplemented by the CIDL Subsidiary Deposit (Supplemental) Agreement
“CIDL Subsidiary Deposit (Supplemental) Agreement”	the agreement dated 31 August 2018 entered into between CIDL Subsidiary, Yuancheng Logistics and its controlling shareholder to amend and supplement the CIDL Subsidiary Deposit Agreement
“CIDL Subsidiary Loan Agreement”	the loan agreement dated 31 August 2018 entered into between CIDL Subsidiary (as the lender) and Yuancheng Logistics (as the borrower) in respect of the provision of the CIDL Subsidiary Loan Facility, as amended and supplemented on 30 September 2018
“CIDL Subsidiary Loan Facility”	the secured term loan facility of RMB100.0 million granted by CIDL Subsidiary (as the lender) to Yuancheng Logistics (as the borrower) pursuant to the CIDL Subsidiary Loan Agreement
“Civil Complaints”	the three civil complaints* (民事起訴狀) lodged by CIDL Subsidiary as plaintiff against certain defendants, including but not limited to, Yuancheng Logistics and its controlling shareholder as disclosed in the joint announcement of the Relevant Group Companies dated 16 January 2020

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## DEFINITIONS

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“Completion Accounts”	a consolidated statement of financial position of the Hotel Holding Company as at close of business on the Hotel Interests Disposal Completion Date duly certified by a director of the Hotel Holding Company as true and accurate in accordance with HKFRS and shall show a true and fair view of the Hotel Holding Company’s affairs and financial position (on a consolidated basis) as at the Hotel Interests Disposal Completion Date and with adequate and full provision for the construction costs and tax in accordance with the prevailing regulations and assessing practice of the Inland Revenue Department of Hong Kong
“connected person”	has the meaning ascribed to such term in the Listing Rules
“controlling shareholder”	has the meaning ascribed to such term in the Listing Rules
“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 120)
“Cosmopolitan CPS(s)”	non-voting non-redeemable convertible preference share(s) of HK\$0.002 each in the share capital of Cosmopolitan
“Cosmopolitan Directors”	directors of Cosmopolitan
“Cosmopolitan EGM”	the extraordinary general meeting of Cosmopolitan held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on 24 March 2020 for the purpose of considering and, if thought fit, approving the CIDL Related Transactions
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Cosmopolitan Independent Shareholders”	Cosmopolitan Shareholders who were not prohibited or required to abstain from voting under the Listing Rules to approve the CIDL Related Transactions at the Cosmopolitan EGM
“Cosmopolitan Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of Cosmopolitan
“Cosmopolitan Shareholder(s)”	holder(s) of the Cosmopolitan Share(s)
“Directors”	directors of Century City
“Fine Cosmos”	Fine Cosmos Development Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Hotel Holding Company

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## DEFINITIONS

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“First Cosmo Shares”	an aggregate of 220,000,000 existing Cosmopolitan Shares
“First Cosmo Shares Purchaser”	International Merchants Holdings, a company incorporated in the Cayman Islands
“First Cosmo Shares Transfer”	the sale of the First Cosmo Shares by the First Cosmo Shares Vendor to the First Cosmo Shares Purchaser at HK\$1.70 per Cosmopolitan Share pursuant to the First Cosmo Shares Transfer Agreement
“First Cosmo Shares Transfer Agreement”	the agreement dated 31 December 2019 and entered into between the First Cosmo Shares Vendor and the First Cosmo Shares Purchaser in respect of the First Cosmo Shares Transfer
“First Cosmo Shares Vendor”	Lendas Investments Limited, a company incorporated in the BVI and a wholly-owned subsidiary of P&R
“First Joint Announcement”	the announcement dated 2 January 2020 jointly published by the Relevant Group Companies in relation to the Shares Related Transactions, the CIDL Related Transactions and the Hotel Related Transactions
“First Joint Announcement Date”	2 January 2020, being the date of the First Joint Announcement
“Guarantees”	the guarantees for the Project Loan Facility and for the refinancing of the Project Loan Facility (as procured by P&R) provided by each of Paliburg and Regal in proportion to their respective equity interests in P&R on a several basis
“HKFRS”	the Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	a contemporary select-service hotel developed at Nos. 5-7 Bonham Strand West and Nos. 169-171 Wing Lok Street, Sheung Wan, Hong Kong
“Hotel Call Option”	the call option granted by P&R to the Hotel Purchaser under the Hotel Interests Disposal Agreement to purchase from P&R (a) an additional 1% equity interests in the Hotel Holding Company; (b) an additional 1% of the Hotel Shareholders’ Loan; and (c) 51% of the then outstanding Top Up Loan, at an option price of HK\$5.4 million plus the face value of the outstanding Top Up Loan to be transferred



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## DEFINITIONS

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“Hotel Consideration Adjustments”	approximately HK\$0.42 million, which represented the adjustments on the Hotel Interests Disposal Consideration in accordance with the terms and conditions of the Hotel Interests Disposal Agreement, being 50% of the NTAV
“Hotel Deposit”	the hotel deposit in the sum of HK\$60.0 million paid by the Hotel Purchaser pursuant to the Hotel Interests Disposal Agreement
“Hotel Financial Assistance”	the Guarantees and the Top Up Loan as contemplated under the Hotel Related Transactions
“Hotel Holding Company”	Dense Globe Investments Limited, a company incorporated in the BVI, a wholly-owned subsidiary of P&R immediately before the Hotel Interests Disposal Completion, 50% equity interests in which was sold to the Hotel Purchaser upon the Hotel Interests Disposal Completion, which was subsequently assigned to the Second Cosmo Shares Purchaser on 7 February 2020
“Hotel Holding Company Sale Loan”	approximately HK\$127.6 million, equivalent to 50% of all amounts, including principal and interest, owing by Fine Cosmos to the shareholders of the Hotel Holding Company as at the Hotel Interests Disposal Completion Date, and for the avoidance of doubt, excluding the Top Up Loan
“Hotel Holding Company Sale Shares”	50 ordinary shares in the issued share capital of the Hotel Holding Company, representing 50% equity interests in the Hotel Holding Company
“Hotel Holding Group”	Hotel Holding Company and Fine Cosmos
“Hotel Interests Disposal”	the disposal of the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan by P&R to the Hotel Purchaser pursuant to the Hotel Interests Disposal Agreement
“Hotel Interests Disposal Agreement”	the sale and purchase agreement dated 31 December 2019 entered into between P&R and the Hotel Purchaser in respect of, among others, the Hotel Interests Disposal
“Hotel Interests Disposal Completion”	the completion of the Hotel Interests Disposal
“Hotel Interests Disposal Completion Date”	31 December 2019, being the date on which the Hotel Interests Disposal Completion took place

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## DEFINITIONS

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“Hotel Interests Disposal Consideration ”	the final consideration in the amount of approximately HK\$270.4 million (after the Hotel Consideration Adjustments) for the Hotel Interests Disposal
“Hotel Licence”	the hotel licence to be issued by the Home Affairs Department in respect of the Hotel under the Hotel and Guesthouse Accommodation Ordinance (Chapter 349 of the Laws of Hong Kong)
“Hotel Management Agreement”	the hotel management agreement dated 31 December 2019 and entered into between Fine Cosmos and Regal Hotels International Limited, a wholly-owned subsidiary of Regal
“Hotel Management Fee”	the hotel management fee which consists of a base fee of an amount equal to 2% of the total revenue of the Hotel and an incentive fee at the range of 1% to 6% based on the excess of the gross operating profit over a base fee and the fixed charges as contemplated under the Hotel Management Agreement
“Hotel Purchaser”	AMTD Property Investment Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the AMTD Shares Vendor, which subsequently assigned its title under the Hotel Interests Disposal Agreement to the Second Cosmo Shares Purchaser on 7 February 2020 with the consent of P&R
“Hotel Put Option”	the put option granted by the Hotel Purchaser to P&R under the Hotel Interests Disposal Agreement to sell to the Hotel Purchaser, subject to the exercise of the Hotel Call Option by the Hotel Purchaser, (a) an additional equity interests of up to 49% in the Hotel Holding Company; (b) up to an additional 49% of the Hotel Shareholders’ Loan; and (c) up to an additional 49% of the then outstanding Top Up Loan, at an option price of up to HK\$676.2 million plus the face value of the outstanding Top Up Loan to be transferred
“Hotel Related Transactions”	collectively, the Hotel Interests Disposal and the Hotel Financial Assistance
“Hotel Shareholders’ Agreement”	the shareholders agreement dated 31 December 2019 and entered into among (a) P&R; (b) the Hotel Purchaser; (c) the AMTD Shares Vendor; (d) the Hotel Holding Company; and (e) Fine Cosmos in respect of the rights and obligations of the shareholders of the Hotel Holding Company (as supplemented by the Hotel Supplemental Shareholders’ Agreement)

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## DEFINITIONS

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“Hotel Supplemental Shareholders’ Agreement”	the agreement dated 7 February 2020 and entered into among (a) P&R; (b) the Hotel Purchaser; (c) the Second Cosmo Shares Purchaser; (d) the AMTD Shares Vendor; (e) the Hotel Holding Company; and (f) Fine Cosmos to amend and supplement the Hotel Shareholders’ Agreement
“Hotel Shareholders’ Loan”	all amounts, including principal and interest, owing by Fine Cosmos to the shareholders of the Hotel Holding Company and for the avoidance of doubt, excluding the Top Up Loan
“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the relevant company and its connected persons in accordance with the Listing Rules
“Latest Practicable Date”	26 March 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Note”	the loan note in the principal amount of approximately HK\$210.4 million issued by the Hotel Purchaser in favour of P&R, payment obligation of which was subsequently novated to and assumed by the Second Cosmo Shares Purchaser on 7 February 2020
“New Facility”	a property loan to be obtained by Fine Cosmos from a financial institution(s) on normal commercial terms for similar financing transactions in Hong Kong for a principal amount of up to HK\$660.0 million and with a tenor of not less than three (3) years for the replacement of the Project Loan Facility and the Top Up Loan
“NTAV”	approximately HK\$0.84 million, represented the aggregate value (on a consolidated basis) of all tangible current assets of the Hotel Holding Company which are readily convertible into cash or cash equivalents (including utilities and other miscellaneous pre-paid deposits, prepaid rates and government rent, and other prepaid expenses relating to the property, but excluding the property and all furniture, fixtures and equipment therein, any intangible assets, other fixed assets and deferred tax) minus the aggregate value of all current liabilities (actual, contingent or otherwise, but excluding the Top Up Loan) as at the Hotel Interests Disposal Completion Date

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## DEFINITIONS

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“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“Paliburg Group”	Paliburg and its subsidiaries
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“Possible JV Investment”	a possible acquisition of certain equity interest in Yuancheng Logistics (or directly or indirectly in the relevant parent companies of Yuancheng Logistics) or the major businesses of Yuancheng Logistics by CIDL Subsidiary pursuant to the CIDL Subsidiary Deposit Agreement and the CIDL Subsidiary Deposit (Supplemental) Agreement
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Project Loan Facility”	a project loan facility granted to Fine Cosmos by a bank secured by a charge on the Hotel in the amount of HK\$357.2 million as at the Hotel Interests Disposal Completion Date and as at the Latest Practicable Date
“P&R”	P&R Holdings Limited, a company owned as to 50% by Paliburg Group (excluding the Regal Group) and 50% by Regal Group, and the vendor of the Hotel Interests Disposal
“P&R Finance”	P&R Finance Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of P&R
“P&R Group”	P&R and its subsidiaries
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal Group”	Regal and its subsidiaries
“Relevant Group Companies”	Century City, Paliburg, Regal, RH International and Cosmopolitan
“RH International”	RH International Finance Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Regal, the medium term notes and the senior perpetual securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 5687 and 5425)

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“Second CIDL Subsidiary Loan Agreement”	the loan agreement dated 20 September 2018 entered into between CIDL Subsidiary (as the lender) and Yuancheng Logistics (as the borrower) in respect of the provision of Second CIDL Subsidiary Loan Facility
“Second CIDL Subsidiary Loan Facility”	the secured term loan facility of RMB50.0 million granted by CIDL Subsidiary (as the lender) to Yuancheng Logistics (as the borrower) pursuant to the Second CIDL Subsidiary Loan Agreement
“Second Cosmo Shares”	an aggregate of 368,320,000 existing Cosmopolitan Shares
“Second Cosmo Shares Purchaser”	AMTD Properties (HK) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Hotel Purchaser and the AMTD Shares Vendor
“Second Cosmo Shares Transfer”	the sale of the Second Cosmo Shares by the Second Cosmo Shares Vendor to the Second Cosmo Shares Purchaser at HK\$1.70 per Cosmopolitan Share pursuant to the Second Cosmo Shares Transfer Agreement
“Second Cosmo Shares Transfer Agreement”	the agreement dated 24 January 2020 and entered into between the Second Cosmo Shares Vendor, the Second Cosmo Shares Purchaser, the AMTD Shares Vendor and P&R Finance in respect of the Second Cosmo Shares Transfer
“Second Cosmo Shares Vendor”	Valuegood International Limited, a company incorporated in the BVI and a wholly-owned subsidiary of P&R
“Second Joint Announcement”	the announcement dated 24 January 2020 jointly published by Century City and Paliburg in relation to the AMTD III Share Swap
“Second Joint Announcement Date”	24 January 2020, being the date of the Second Joint Announcement
“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 at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 24 April 2020 at 11:00 a.m. for considering and, if thought fit, approving the AMTD III Share Swap comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition

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## DEFINITIONS

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“Share Mortgage”	the mortgage on the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan in favour of P&R created by the Hotel Purchaser in respect of the Loan Note, security obligation of which was subsequently novated to and assumed by the Second Cosmo Shares Purchaser on 7 February 2020
“Shares Related Transactions”	collectively, the First Cosmo Shares Transfer and the AMTD I Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to such term in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to such term in the Listing Rules
“Top Up Loan”	a term loan in the amount of HK\$302.8 million advanced by P&R (as the lender) to Fine Cosmos (as the borrower) on 31 December 2019 upon the Hotel Interests Disposal Completion
“Transactions”	collectively, the Shares Related Transactions, the CIDL Related Transactions, the Hotel Related Transactions and the AMTD III Share Swap
“US\$”	United States dollars, the lawful currency of the United States of America
“Yuancheng Logistics”	遠成物流股份有限公司 (Yuancheng Logistics Company Limited*), a company established under the laws of the PRC
“%”	per cent.

\* For identification purpose only

*For the purpose of this circular, unless the context otherwise requires or expressly specified, conversion of United States dollars into Hong Kong dollars is based on the approximate exchange rate of HK\$7.80 to US\$1.00, and conversion of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.1154 to RMB1.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi or United States dollars has been, could have been or may be converted at such or any other rate or at all.*

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LETTER FROM THE BOARD

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*Executive 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

*Registered office:*

4th Floor North  
Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

*Independent non-executive Directors:*

Mr. Anthony CHUANG  
Ms. Winnie NG, JP  
Mr. WONG Chi Keung

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

11th Floor  
68 Yee Wo Street  
Causeway Bay, Hong Kong

31 March 2020

*To the Century City Shareholders,*

Dear Sir or Madam,

**MAJOR TRANSACTIONS IN RELATION TO  
(I) FIRST COSMO SHARES TRANSFER;  
(II) AMTD I ACQUISITION;  
(III) CIDL DISPOSAL;  
(IV) AMTD II ACQUISITION;  
(V) HOTEL INTERESTS DISPOSAL; AND  
(VI) HOTEL FINANCIAL ASSISTANCE  
VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO AMTD III ACQUISITION  
VERY SUBSTANTIAL DISPOSAL IN RELATION TO  
SECOND COSMO SHARES TRANSFER  
NOTICE OF SPECIAL GENERAL MEETING**

Reference is made to (a) the First Joint Announcement issued by the Relevant Group Companies dated 2 January 2020 in relation to, among others, (i) the Shares Related Transactions comprising the First Cosmo Shares Transfer and the AMTD I Acquisition; (ii) the CIDL Related Transactions comprising the CIDL Disposal and the AMTD II Acquisition; and (iii) the Hotel Related Transactions comprising the Hotel Interests Disposal and the Hotel Financial Assistance; (b) the Second Joint

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## LETTER FROM THE BOARD

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Announcement issued by Century City and Paliburg dated 24 January 2020 in relation to the AMTD III Share Swap comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition; (c) the circular issued by Cosmopolitan dated 5 March 2020 in relation to the CIDL Related Transactions; (d) the announcement issued by Cosmopolitan dated 24 March 2020 in relation to the CIDL Related Transactions; and (e) the circular issued by Paliburg dated 31 March 2020 in relation to the Transactions. The Hotel Interest Disposal was completed on 31 December 2019 and the Shares Related Transactions were completed on 10 January 2020.

The CIDL Related Transactions were approved by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM but were not completed as at the Latest Practicable Date.

The purpose of this circular is to provide the Century City Shareholders with, among others, (a) further information in relation to the Transactions; (b) a notice of the SGM to consider and, if thought fit, to approve the ordinary resolutions in relation to the AMTD III Share Swap comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition.

### **I. THE SHARES RELATED TRANSACTIONS**

The Shares Related Transactions comprise the First Cosmo Shares Transfer and the AMTD I Acquisition.

#### **A. FIRST COSMO SHARES TRANSFER**

On 31 December 2019 (after trading hours of the Stock Exchange), the First Cosmo Shares Vendor entered into the First Cosmo Shares Transfer Agreement with the First Cosmo Shares Purchaser, pursuant to which the First Cosmo Shares Vendor agreed to sell and the First Cosmo Shares Purchaser agreed to purchase 220,000,000 Cosmopolitan Shares at HK\$1.70 per Cosmopolitan Share.

#### **THE FIRST COSMO SHARES TRANSFER AGREEMENT**

The major terms of the First Cosmo Shares Transfer Agreement are set out as follows:

- Date: 31 December 2019
- Parties: (a) First Cosmo Shares Vendor (as seller), a wholly-owned subsidiary of P&R
- (b) First Cosmo Shares Purchaser (as buyer)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the First Cosmo Shares Purchaser and its ultimate beneficial owner are Independent Third Parties of Century City and its connected persons.



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Assets disposed of:	220,000,000 Cosmopolitan Shares, representing approximately (a) 4.98% of the issued Cosmopolitan Shares; and (b) 3.25% of the issued shares of Cosmopolitan (including the issued Cosmopolitan Shares and Cosmopolitan CPSs) as at the Latest Practicable Date.
Consideration:	<p>The price per First Cosmo Share is HK\$1.70, representing (a) a discount of approximately 3.41% to the closing price of HK\$1.76 per Cosmopolitan Share as quoted on the Stock Exchange on 31 December 2019; and (b) a premium of approximately 77.1% over the closing price of HK\$0.96 per Cosmopolitan Share as quoted on the Stock Exchange on the Latest Practicable Date. The price per First Cosmo Share was negotiated on an arm's length basis between the First Cosmo Shares Vendor and the First Cosmo Shares Purchaser with reference to the then prevailing market price of the Cosmopolitan Shares.</p> <p>The total consideration for the First Cosmo Shares Transfer is HK\$374.0 million.</p>
Payment terms:	Payment of the consideration was settled in cash upon completion.
Completion:	Completion of the First Cosmo Shares Transfer took place on 10 January 2020.
Undertakings by the First Cosmo Shares Purchaser:	Subject to availability of a scrip dividend alternative option offered by Cosmopolitan, so long as the First Cosmo Shares Purchaser holds any First Cosmo Shares prior to 31 December 2026, the First Cosmo Shares Purchaser shall elect to receive any and all dividends or distributions declared and distributed by Cosmopolitan with respect to any such First Cosmo Shares in the form of Cosmopolitan Shares.
Lock-up:	The First Cosmo Shares Purchaser shall not, during the 180 days lock-up period after completion of the First Cosmo Shares Transfer (i.e. on or before 8 July 2020), transfer any First Cosmo Shares, any reinvestment shares in Cosmopolitan or any interest therein without the prior written consent of First Cosmo Shares Vendor.

The proceeds received from the First Cosmo Shares Transfer was applied to the purchase of AMTD I Shares under the AMTD I Acquisition as detailed below.

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### FINANCIAL EFFECTS OF THE FIRST COSMO SHARES TRANSFER

The First Cosmo Shares Transfer and the AMTD I Acquisition are regarded as linked transactions in accordance with guidance of the relevant accounting standards. Based on an assumption adopted in the Appendix VI — Unaudited Pro Forma Financial Information of the Century City Group that the fair value of the AMTD I Shares would be the same as the consideration for the AMTD I Acquisition upon completion of the AMTD I Acquisition, the assets of the Century City Group would increase by approximately HK\$374.0 million upon completion of the First Cosmo Shares Transfer. The actual increase in the assets of the Century City Group is approximately HK\$4.4 million more as the fair value of the AMTD I Shares based on its closing price on the date of completion of the AMTD I Acquisition on 10 January 2020 was higher than the consideration for the AMTD I Acquisition. The total consideration for the First Cosmo Shares of HK\$374.0 million is higher than the net asset value of the First Cosmo Shares of approximately HK\$39.6 million as at 31 December 2019 (based on the net asset value per Cosmopolitan Share of HK\$0.18 as at 31 December 2019 as disclosed in Cosmopolitan’s final results announcement for the year ended 31 December 2019). However, there will be no impact on the consolidated statement of comprehensive income of Century City as a result of the implementation of the First Cosmo Shares Transfer as Cosmopolitan will remain a subsidiary of Century City after completion thereof. The financial statements of Cosmopolitan will continue to be consolidated with the financial statements of Century City after completion of the First Cosmo Shares Transfer.

### B. AMTD I ACQUISITION

On 31 December 2019 (after trading hours of the Stock Exchange), P&R Finance and the AMTD Shares Vendor entered into the AMTD I Acquisition Agreement, pursuant to which the AMTD Shares Vendor conditionally agreed to sell and P&R Finance conditionally agreed to acquire the AMTD I Shares at the AMTD Shares Acquisition Price. Completion of the AMTD I Acquisition was conditional upon, among others, the completion of the First Cosmo Shares Transfer.

### THE AMTD I ACQUISITION AGREEMENT

The major terms of the AMTD I Acquisition Agreement are set out as follows:

Date: 31 December 2019

Parties: (a) P&R Finance (as buyer), a wholly-owned subsidiary of P&R  
(b) AMTD Shares Vendor (as seller), an investment holding company and the controlling shareholder of AMTD

Save as disclosed under the section headed “Information on Other Counterparties” in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the AMTD Shares Vendor and its ultimate beneficial owners are Independent Third Parties of Century City and its connected persons.

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- Assets acquired: 5,674,000 AMTD Class A Shares, representing approximately (a) 2.3% of the total issued share capital of AMTD, (b) 0.2% of the total voting power represented by the total issued share capital of AMTD; and (c) 9.1% of AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date.
- Consideration: The AMTD Shares Acquisition Price is US\$8.45 (equivalent to approximately HK\$65.91) per AMTD Class A Share which represented (a) a discount of approximately 4.6% to the closing price of US\$8.86 per ADS as quoted on the New York Stock Exchange on 31 December 2019; (b) a premium of approximately 19.0% over the closing price of US\$7.10 per ADS as quoted on the New York Stock Exchange on the Latest Practicable Date; and (c) a premium of approximately 0.8% over the offer price of US\$8.38 per ADS at the time of AMTD's initial public offering in August 2019. The AMTD Shares Acquisition Price was negotiated on an arm's length basis between P&R Finance and the AMTD Shares Vendor and was determined with reference to the then prevailing market price of the ADSs.
- The total consideration for the AMTD I Acquisition is approximately US\$47.9 million (equivalent to approximately HK\$374.0 million).
- Payment terms: Payment of the consideration was settled in cash upon completion.
- The consideration for the AMTD I Acquisition was funded by the proceeds received from the First Cosmo Shares Transfer.
- Conditions precedent: Completion of the AMTD I Acquisition was subject to the satisfaction or waiver (as the case may be) by P&R Finance and the AMTD Shares Vendor of the following conditions precedent:
- (a) no provision of any applicable law or no judgment entered by or with any governmental authority with competent jurisdiction, should be in effect that enjoins, prohibits or materially alters the terms of the transactions contemplated by the AMTD I Acquisition Agreement;

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- (b) no proceeding challenging the AMTD I Acquisition Agreement or the transactions contemplated thereby, or seeking to prohibit, alter, prevent or materially delay the completion, should have been instituted or be pending before any governmental authority;
- (c) the completion of the First Cosmo Shares Transfer;
- (d) the representations and warranties of the AMTD Shares Vendor should be true and correct in all material respects;
- (e) there should have been no material adverse effect on the financial condition or results of operations of AMTD and its subsidiaries taken as a whole;
- (f) the representations and warranties of P&R Finance should be true and correct in all material respects; and
- (g) both parties should have performed all of their obligations and fulfilled all of their conditions in accordance with the AMTD I Acquisition Agreement.

All of the conditions precedent were satisfied upon the completion on 10 January 2020.

Completion:

Completion of the AMTD I Acquisition took place on 10 January 2020.

Undertaking by P&R  
Finance:

So long as P&R Finance or its affiliates hold any AMTD I Shares prior to 31 December 2026, P&R Finance shall, and shall cause its affiliates to, reinvest any future cash dividends to be declared and paid by AMTD with respect to the AMTD I Shares and any related reinvestment shares in AMTD under its ownership by way of purchase of AMTD Class A Shares from the AMTD Shares Vendor or subscription of new AMTD Class A Shares to be determined by AMTD Shares Vendor up to a cumulative limit of HK\$193.28 million for the initial reinvestment period up to 31 December 2026 at a price per AMTD Class A Share that is equal to the average closing price of the ADSs for 15 trading days prior to the relevant record date set by AMTD for the purposes of distributing the cash dividends. The reinvestment period shall be automatically extended for seven years and ends on 31 December 2033 unless the parties mutually agree otherwise.

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Lock-up: P&R Finance shall not, during the 180 days lock-up period after the completion of the AMTD I Acquisition (i.e. on or before 8 July 2020), transfer any AMTD I Shares acquired under the AMTD I Acquisition without the prior written consent of the AMTD Shares Vendor except for transfer of any AMTD I Shares (including any reinvestment shares in AMTD) to any of its affiliates and subsidiaries.

There is no provision in the AMTD I Acquisition Agreement under which P&R Finance will be entitled (a) to nominate or appoint any director to the board of AMTD and (b) to be involved in the day-to-day operation of AMTD.

### **Directors' view on fairness and reasonableness of the First Cosmo Shares Transfer and the AMTD I Acquisition**

By taking into consideration the reasons as stated under the section headed "Reasons for and Benefits of the Transactions", the terms and conditions of each of the First Cosmo Shares Transfer Agreement and the AMTD I Acquisition Agreement, and the basis for determination of each of the price for the First Cosmo Shares Transfer and the AMTD Shares Acquisition Price, the Directors are of the view that the terms of each of the First Cosmo Shares Transfer and the AMTD I Acquisition are fair and reasonable and in the interests of Century City and the Century City Shareholders as a whole.

## **II. THE CIDL RELATED TRANSACTIONS**

The CIDL Related Transactions comprise the CIDL Disposal and the AMTD II Acquisition.

### **A. CIDL DISPOSAL**

Reference is made to (a) the joint announcements dated 17 August 2018, 3 September 2018 and 30 September 2018 and issued by the Relevant Group Companies in relation to the Possible JV Investment, the CIDL Subsidiary Deposit Agreement and the CIDL Subsidiary Loan Agreement relating to the logistics business; (b) the joint announcement dated 20 September 2018 and issued by the Relevant Group Companies in relation to the Second CIDL Subsidiary Loan Agreement; (c) the joint announcements dated 1 November 2019 and 20 December 2019 and issued by the Relevant Group Companies in relation to the CIDL MOU; (d) the joint announcement dated 16 January 2020 and issued by the Relevant Group Companies in relation to the legal proceedings initiated by CIDL Subsidiary in respect of the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement (together with (a), (b) and (c) above, the "**CIDL Announcements**"); (e) the circular dated 22 October 2018 and issued by Cosmopolitan in relation to the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement; (f) the circular dated 5 March 2020 and issued by Cosmopolitan in relation to the CIDL Related Transactions (together with (e) above, the "**CIDL Circulars**"); (g) the 2018 Annual Report of Century City; (h) the 2019 Interim Report of Century City; and (i) the final results announcement of Century City for the year ended 31 December 2019.

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As disclosed in the CIDL Announcements and the CIDL Circulars:

- (a) CIDL Subsidiary paid the CIDL Subsidiary Deposit in a total sum of RMB170.0 million in respect of the Possible JV Investment in Yuancheng Logistics pursuant to the CIDL Subsidiary Deposit Agreement;
- (b) CIDL Subsidiary (as lender) granted to Yuancheng Logistics (as borrower) a RMB100.0 million secured loan facility pursuant to the CIDL Subsidiary Loan Agreement, which was fully drawn and was repayable by Yuancheng Logistics on 20 November 2018 (as extended); and
- (c) CIDL Subsidiary (as lender) granted to Yuancheng Logistics (as borrower) a RMB50.0 million secured loan facility pursuant to the Second CIDL Subsidiary Loan Agreement, which was fully drawn and was repayable by Yuancheng Logistics on 20 November 2018.

The CIDL Subsidiary Deposit, the CIDL Subsidiary Loan Facility, the Second CIDL Subsidiary Loan Facility, together with the total contractual interest accrued thereon amounted to RMB372.1 million (net of tax provision) as at 31 December 2019. They are secured primarily by equity pledges over certain PRC companies associated with Yuancheng Logistics, guarantees provided by the controlling shareholder of Yuancheng Logistics and certain of his associates, and pledges over the receivables of Yuancheng Logistics and certain associates of the controlling shareholder of Yuancheng Logistics.

The CIDL Seller entered into the CIDL MOU on 1 November 2019 in relation to the proposed disposal of the entire interests in CIDL. As the exclusivity period for negotiations under the CIDL MOU expired on 15 December 2019 and no definitive agreement in respect of the subject matter under the CIDL MOU had been entered into between the parties, the CIDL Seller ceased the negotiations under the CIDL MOU. As disclosed in the joint announcement of the Relevant Group Companies dated 20 December 2019, Cosmopolitan would actively explore other opportunities for the divestment of its interests in CIDL.

On 31 December 2019 (after trading hours of the Stock Exchange), the CIDL Seller and the CIDL Purchaser entered into the CIDL Disposal Agreement, pursuant to which the CIDL Seller conditionally agreed to sell and the CIDL Purchaser conditionally agreed to purchase the CIDL Share and CIDL Loan at the CIDL Consideration. Major terms of the CIDL Disposal Agreement are set out below.

### THE CIDL DISPOSAL AGREEMENT

The major terms of the CIDL Disposal Agreement are set out as follows:

- Date: 31 December 2019
- Parties:
- (a) The CIDL Seller (as seller), a wholly-owned subsidiary of Cosmopolitan
  - (b) The CIDL Purchaser (as buyer)

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Save as disclosed under the section headed “Information on Other Counterparties” in this circular, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the CIDL Purchaser and its ultimate beneficial owner are Independent Third Parties of Century City and its connected persons.

- Assets to be disposed of:
- (a) the entire issued share capital of CIDL (i.e. the CIDL Share); and
  - (b) all loans or other debts owed to the CIDL Seller by the CIDL Group on the CIDL Completion Date (i.e. the CIDL Loan).

Pursuant to the CIDL Disposal Agreement, the CIDL Seller may procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan.

If the CIDL Seller procures CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan, the CIDL Purchaser shall not be entitled to any and all rights and benefits relating to Beijing Fuli, other than its shareholding interests in CIDL Subsidiary.

If the CIDL Seller does not procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of the Cosmopolitan, the CIDL Purchaser will be entitled to any and all rights and benefits relating to Beijing Fuli, in addition to its shareholding interests in CIDL Subsidiary.

- Consideration:
- The CIDL Consideration is HK\$400.0 million, irrespective of Beijing Fuli to be included or excluded from CIDL Group under the CIDL Disposal.

The CIDL Consideration was negotiated between the parties on an aggregate basis by taking into account:

- (a) the CIDL Subsidiary Deposit in the total amount of RMB170.0 million;
- (b) the principal amount outstanding under the CIDL Subsidiary Loan Facility and the total contractual interest accrued thereon up to 31 December 2019 of RMB100.0 million and approximately RMB46.3 million, respectively;

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(c) the principal amount outstanding under the Second CIDL Subsidiary Loan Facility and the total contractual interest accrued thereon up to 31 December 2019 of RMB50.0 million and approximately RMB23.1 million, respectively; and

(d) the related tax payable of approximately RMB17.3 million,

the net amount of the items (a) to (d) above is approximately RMB372.1 million (equivalent to approximately HK\$415.1 million).

Payment terms:

The CIDL Consideration is payable as follows:

(a) a sum of HK\$10.0 million (as deposit) was paid by the CIDL Purchaser in cash upon signing of the CIDL Disposal Agreement; and

(b) a sum of HK\$390.0 million shall be paid by the CIDL Purchaser in cash on the CIDL Completion Date.

Completion:

Completion of the CIDL Disposal shall take place on the 5th Business Day after fulfilment of the condition precedent.

The CIDL Disposal has not been completed as at the Latest Practicable Date.

Condition precedent:

Completion of the CIDL Disposal is conditional upon the passing of the necessary resolution by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM to approve the CIDL Disposal Agreement and the transactions contemplated therein or incidental thereto and the implementation thereof.

The condition precedent has been fulfilled as at the Latest Practicable Date.

Completion of the CIDL Disposal is not conditional on the completion of the AMTD II Acquisition.



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Costs reimbursement: The CIDL Seller undertakes to reimburse the costs and expenses reasonably and properly incurred by the CIDL Subsidiary for the collection of the amounts receivable or any actions or proceedings taken or continued with respect to the enforcement of rights under or in respect of the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement, the Second CIDL Subsidiary Loan Agreement and their relevant security documents within a 36-month period after the CIDL Completion Date, subject to a cap of HK\$5.0 million.

The Cosmopolitan Group will apply the proceeds from the CIDL Disposal for the purchase of the AMTD II Shares under the AMTD II Acquisition.

The CIDL Seller and the CIDL Purchaser considered the possibility of excluding Beijing Fuli from the CIDL Group in their course of negotiation as the principal assets of Beijing Fuli are inter-company receivables which are unrelated to the purpose of the CIDL Disposal.

As at the Latest Practicable Date, the CIDL Seller has not decided whether it will procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan. The CIDL Seller considered the possibility of including Beijing Fuli in the CIDL Group under the CIDL Disposal in light of the following factors: (i) the implementation steps of the CIDL Disposal; (ii) the relevant rules and regulations in the PRC; (iii) tax implications; and (iv) completion timeframe. The CIDL Seller will take into account the above factors when deciding whether to include or exclude Beijing Fuli in the CIDL Group under the CIDL Disposal.

The inter-company receivables due by the Cosmopolitan Group to Beijing Fuli will be written-off or transferred to the Cosmopolitan Group before the completion of the CIDL Disposal.

All issued share or paid-up capital of Beijing Fuli was not transferred from CIDL Group to a wholly-owned subsidiary of Cosmopolitan before the completion of the CIDL Disposal.

The CIDL Related Transactions constitute discloseable and connected transactions for Cosmopolitan and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. The CIDL Related Transactions were approved by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM but were not completed as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Financial information on the CIDL Group

Set out below is the unaudited financial information of the CIDL Group (excluding Beijing Fuli) for the three financial years ended 31 December 2019:

	<b>For the financial year ended 31 December 2017 <i>HK\$'000</i></b>	<b>For the financial year ended 31 December 2018 <i>HK\$'000</i></b>	<b>For the financial year ended 31 December 2019 <i>HK\$'000</i></b>
Revenue	–	–	–
(Loss) / profit before taxation	(22)	14,744	64,118
(Loss) / profit after taxation	(22)	11,054	48,076
	<b>As at 31 December 2017 <i>HK\$'000</i></b>	<b>As at 31 December 2018 <i>HK\$'000</i></b>	<b>As at 31 December 2019 <i>HK\$'000</i></b>
Total assets	2,949	381,339	434,386
Total liabilities	10,030	392,873	409,095
Net (liabilities) / assets	(7,081)	(11,534)	25,291

Set out below is the unaudited financial information of the CIDL Group (including Beijing Fuli) for the three financial years ended 31 December 2019:

	<b>For the financial year ended 31 December 2017 <i>HK\$'000</i></b>	<b>For the financial year ended 31 December 2018 <i>HK\$'000</i></b>	<b>For the financial year ended 31 December 2019 <i>HK\$'000</i></b>
Revenue	–	–	–
Profit before taxation	129	14,735	64,109
Profit after taxation	91	11,045	48,067

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	<b>As at 31 December 2017 <i>HK\$'000</i></b>	<b>As at 31 December 2018 <i>HK\$'000</i></b>	<b>As at 31 December 2019 <i>HK\$'000</i></b>
Total assets	360,562	720,785	766,906
Total liabilities	384,581	755,370	767,001
Net assets	24,019	34,585	95

Set out below is the unaudited financial information of Beijing Fuli for the three financial years ended 31 December 2019:

	<b>For the financial year ended 31 December 2017 <i>HK\$'000</i></b>	<b>For the financial year ended 31 December 2018 <i>HK\$'000</i></b>	<b>For the financial year ended 31 December 2019 <i>HK\$'000</i></b>
Revenue	–	–	–
Profit / (loss) before taxation	151	(9)	(9)
Profit / (loss) after taxation	113	(9)	(9)

	<b>As at 31 December 2017 <i>HK\$'000</i></b>	<b>As at 31 December 2018 <i>HK\$'000</i></b>	<b>As at 31 December 2019 <i>HK\$'000</i></b>
Total assets	590,496	924,857	766,578
Total liabilities	232,765	585,297	433,946
Net assets	357,731	339,560	332,632

### FINANCIAL EFFECTS OF THE CIDL DISPOSAL

If the CIDL Seller procures CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan after the completion of CIDL Disposal, it was estimated that the Century City Group would record a loss before tax and non-controlling interests of approximately HK\$16.0 million arising from the CIDL Disposal, which was calculated based on (a) the CIDL Consideration of HK\$400.0 million; (b) the net asset value of the CIDL Group (excluding Beijing Fuli) as at the date of the CIDL Disposal Agreement of approximately RMB371.7 million (equivalent to approximately HK\$414.6 million), which includes the CIDL Loan (excluding the intercompany payables due by Beijing Fuli to the Cosmopolitan Group) and the total contractual interest accrued (net of tax provision) on the CIDL Subsidiary Loan Facility and the Second CIDL

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Subsidiary Loan Facility up to 31 December 2019; and (c) the release of a loss in the exchange reserve of approximately HK\$1.4 million. Such loss in the exchange reserve, which is not related to the Chengdu Fuhui Debts and the Possible JV Investment in Yuancheng Logistics, represents the cumulative currency exchange translation differences recorded in equity in respect of the retained profit of the CIDL Subsidiary and will be reclassified to profit and loss upon disposal of the CIDL Subsidiary.

If the CIDL Seller does not procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan after the completion of CIDL Disposal, it was preliminarily estimated that the Century City Group would record a loss before tax and non-controlling interests of approximately HK\$71.9 million from the CIDL Disposal, which was calculated based on (a) the CIDL Consideration of HK\$400.0 million; (b) the net asset value of the CIDL Group (including Beijing Fuli) as at the date of the CIDL Disposal Agreement of approximately RMB372.2 million (equivalent to approximately HK\$415.2 million), which includes the CIDL Loan and the total contractual interest accrued (net of tax provision) on the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility up to 31 December 2019; and (c) the release of a loss in exchange reserve of HK\$56.7 million. Such loss in the exchange reserve, which is not related to the Chengdu Fuhui Debts and the Possible JV Investment in Yuancheng Logistics, represents the cumulative currency exchange translation differences recorded in equity in respect of, among others, the retained profit of the CIDL Subsidiary and the paid-up capital of Beijing Fuli and will be reclassified to profit and loss upon disposal of the CIDL Subsidiary and Beijing Fuli.

The above preliminarily estimated financial effect did not take into account (i) the litigation fee of approximately RMB2.8 million (equivalent to approximately HK\$3.2 million) paid by the CIDL Subsidiary after the date of the CIDL Disposal Agreement and (ii) the reimbursement costs and expenses undertaken by the CIDL Seller of up to HK\$5.0 million for the collection of debts by the CIDL Subsidiary after the CIDL Completion Date as mentioned above. The actual amount of financial effect arising from the CIDL Disposal to be recognised in the consolidated financial statements of Cosmopolitan would be subject to (a) audit, (b) any further expenses to be incurred by CIDL Group before completion, (c) the determination of the net asset value of the CIDL Group as at the CIDL Completion Date, and (d) any difference between the fair value of the AMTD II Shares as at the completion date of the AMTD II Acquisition and the consideration for acquisition of the AMTD II Shares as the CIDL Disposal and AMTD II Acquisition are regarded as linked transactions in accordance with the guidance of the relevant accounting standards. The above preliminarily estimated losses arising from the CIDL Disposal would (i) decrease if the fair value of the AMTD II Shares as at the completion date of the AMTD II Acquisition is higher than the consideration of the AMTD II Shares, or (ii) increase if the fair value of the AMTD II Shares as at the completion date of the AMTD II Acquisition is lower than the consideration of the AMTD II Shares. As at 31 December 2019, a loss allowance of approximately HK\$14.6 million has been provided for in the financial statements of the Cosmopolitan Group in respect of the CIDL Disposal. The CIDL Disposal provides an opportunity for Cosmopolitan to realise the Chengdu Fuhui Debts including the interest accrued.

However, irrespective of Beijing Fuli to be included in or excluded from the CIDL Group under the CIDL Disposal, there will be no material impact on the Century City Group's net assets as the release of a loss in the exchange reserve will not have an effect on Century City Group's net assets.

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Upon the completion of CIDL Disposal, each member of the CIDL Group including Beijing Fuli will cease to be a subsidiary of Century City, and Century City will cease to have any interests in the CIDL Group. The financial statements of the CIDL Group will no longer be consolidated into the consolidated financial statements of Century City following the CIDL Completion Date.

Since the date of the CIDL Disposal Agreement and until completion of the CIDL Disposal Agreement, Cosmopolitan had ceased to recognise interest income under the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement.

### **B. AMTD II ACQUISITION**

On 31 December 2019 (after trading hours of the Stock Exchange), the AMTD II Purchaser (as purchaser) and the AMTD Shares Vendor (as seller) entered into the AMTD II Acquisition Agreement, pursuant to which the AMTD Shares Vendor conditionally agreed to sell and the AMTD II Purchaser conditionally agreed to acquire the AMTD II Shares at the AMTD Shares Acquisition Price. Completion of the AMTD II Acquisition is conditional upon, among others, the completion of the CIDL Disposal.

### **THE AMTD II ACQUISITION AGREEMENT**

The major terms of the AMTD II Acquisition Agreement are set out as follows:

- Date: 31 December 2019
- Parties:
- (a) The AMTD II Purchaser, a wholly-owned subsidiary of Cosmopolitan
  - (b) The AMTD Shares Vendor, an investment holding company and the controlling shareholder of AMTD

Save as disclosed under the section headed “Information on Other Counterparties” in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the AMTD Shares Vendor and its ultimate beneficial owners are Independent Third Parties of Century City and its connected persons.

- Assets to be acquired: 6,069,000 AMTD Class A Shares, representing approximately (a) 2.5% of the total issued share capital of AMTD, (b) 0.2% of the total voting power represented by the total issued share capital of AMTD; and (c) 9.7% of the AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date.

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- Consideration: The AMTD Shares Acquisition Price is US\$8.45 (equivalent to approximately HK\$65.91) per AMTD Class A Share which represented (a) a discount of approximately 4.6% to the closing price of US\$8.86 per ADS as quoted on the New York Stock Exchange on 31 December 2019; (b) a premium of approximately 19.0% over the closing price of US\$7.10 per ADS as quoted on the New York Stock Exchange on the Latest Practicable Date; and (c) a premium of approximately 0.8% over the offer price of US\$8.38 per ADS at the time of AMTD's initial public offering in August 2019. The AMTD Shares Acquisition Price was negotiated on an arm's length basis between the AMTD II Purchaser and the AMTD Shares Vendor and was determined with reference to the then prevailing market price of the ADSs.
- The total consideration for the AMTD II Acquisition is US\$51,283,050 (equivalent to approximately HK\$400.0 million).
- Payment terms: Payment of the consideration will be settled in cash upon completion.
- The consideration for the AMTD II Acquisition will be funded by the proceeds from the CIDL Disposal.
- Conditions precedent: Completion of the AMTD II Acquisition is subject to the satisfaction or waiver (as the case may be) by the AMTD II Purchaser and the AMTD Shares Vendor of the following conditions precedent:
- (a) no provision of any applicable law or no judgment entered by or with any governmental authority with competent jurisdiction, shall be in effect that enjoins, prohibits or materially alters the terms of the transactions contemplated by the AMTD II Acquisition Agreement;
  - (b) no proceeding challenging the AMTD II Acquisition Agreement or the transactions contemplated thereby, or seeking to prohibit, alter, prevent or materially delay the completion, shall have been instituted or be pending before any governmental authority;
  - (c) the completion of the CIDL Disposal;
  - (d) the representations and warranties of the AMTD Shares Vendor shall be true and correct in all material respects;

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## LETTER FROM THE BOARD

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- (e) there shall have been no material adverse effect on the financial condition or results of operations of AMTD and its subsidiaries taken as a whole;
- (f) the representations and warranties of the AMTD II Purchaser shall be true and correct in all material respects;
- (g) the AMTD II Purchaser and the AMTD Shares Vendor shall have performed all of their obligations and fulfilled all of their conditions in accordance with the AMTD II Acquisition Agreement; and
- (h) the passing of the necessary resolution in relation to the AMTD II Acquisition Agreement and the transactions contemplated thereunder by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM in accordance with the Listing Rules.

As at the Latest Practicable Date, condition (h) was satisfied.

Completion:

Subject to the fulfilment or waiver (as the case may be) of the relevant conditions precedent, the completion of the AMTD II Acquisition shall take place within one Business Day following the completion of the CIDL Disposal.

The AMTD II Acquisition was not completed as at the Latest Practicable Date.

Undertaking by the AMTD  
II Purchaser:

So long as the AMTD II Purchaser or its affiliates hold any AMTD II Shares prior to 31 December 2026, the AMTD II Purchaser shall, and shall cause its affiliates to, reinvest any future cash dividends to be declared and paid by AMTD with respect to the AMTD II Shares and any reinvestment shares in AMTD under its ownership by way of purchase of AMTD Class A Shares from the AMTD Shares Vendor or subscription of new AMTD Class A Shares to be determined by AMTD Shares Vendor up to a cumulative limit of HK\$206.72 million for the initial reinvestment period up to 31 December 2026 at a price per AMTD Class A Share that is equal to the average closing price of the ADSs for 15 trading days prior to the relevant record date set by AMTD for the purposes of distributing the cash dividends. The reinvestment period shall be automatically extended for seven years and ends on 31 December 2033 unless the parties mutually agree otherwise.

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## LETTER FROM THE BOARD

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Lock-up: The AMTD II Purchaser shall not, during the 180 days lock-up period after the completion of the AMTD II Acquisition, transfer any AMTD Class A Shares acquired under the AMTD II Acquisition without the prior written consent of the AMTD Shares Vendor except for transfer of any AMTD Class A Shares (including any AMTD II Shares and reinvestment shares in AMTD) to any of its affiliates and subsidiaries.

The completion of the AMTD II Acquisition is conditional on the completion of the CIDL Disposal.

There is no provision in the AMTD II Acquisition Agreement under which the AMTD II Purchaser will be entitled (a) to nominate or appoint any director to the board of AMTD and (b) to be involved in the day-to-day operation of AMTD.

A circular of Cosmopolitan dated 5 March 2020 in relation to the CIDL Related Transactions comprising the CIDL Disposal and the AMTD II Acquisition was despatched to the shareholders of Cosmopolitan. The CIDL Related Transactions were approved by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM but were not completed as at the Latest Practicable Date.

### **Directors' View on Fairness and Reasonableness of the CIDL Disposal and the AMTD II Acquisition**

As set out in the CIDL Announcements, CIDL Seller entered into CIDL MOU on 1 November 2019 in relation to the proposed disposal of the entire interests in the CIDL. As the exclusivity period for negotiations under the CIDL MOU expired on 15 December 2019 and no definitive agreement in respect of the subject matter under the CIDL MOU was entered into between the parties, the CIDL Seller ceased the negotiations under the CIDL MOU. Cosmopolitan has since been actively exploring other opportunities for the divestment of its interests in CIDL. The successful implementation of the CIDL Related Transactions would allow Cosmopolitan to monetize the funds tied up in this non-core asset of Cosmopolitan for re-deployment in AMTD.

Taking into consideration the reasons as stated under the section headed "Reasons for and Benefits of the Transactions", the terms and conditions of each of the CIDL Disposal Agreement and the AMTD II Acquisition Agreement and the basis for determination of each of the CIDL Consideration and the AMTD Shares Acquisition Price, the Directors are of the view that the terms of each of the CIDL Disposal and the AMTD II Acquisition are fair and reasonable and in the interests of Century City and the Century City Shareholders as a whole.

### **III. THE HOTEL RELATED TRANSACTIONS**

The Hotel Related Transactions comprise the Hotel Interests Disposal and the Hotel Financial Assistance.



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## LETTER FROM THE BOARD

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### A. THE HOTEL INTERESTS DISPOSAL

On 31 December 2019 (after trading hours of the Stock Exchange), P&R and the Hotel Purchaser entered into the Hotel Interests Disposal Agreement, pursuant to which (a) P&R agreed to dispose of and the Hotel Purchaser agreed to purchase the Hotel Holding Company Sale Shares, representing 50% equity interests in the Hotel Holding Company, and the Hotel Holding Company Sale Loan at the Hotel Interests Disposal Consideration; (b) P&R granted the Hotel Call Option to the Hotel Purchaser; and (c) the Hotel Purchaser granted the Hotel Put Option to P&R. Completion of the Hotel Interests Disposal took place on 31 December 2019.

On 7 February 2020, pursuant to a deed of assignment entered into between the Hotel Purchaser and the Second Cosmo Shares Purchaser, a wholly-owned subsidiary of the Hotel Purchaser, the Hotel Purchaser assigned its rights in the Hotel Interests Disposal Agreement and transferred the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan to the Second Cosmo Shares Purchaser.

### THE HOTEL INTERESTS DISPOSAL AGREEMENT

The major terms of the Hotel Interests Disposal Agreement are set out as follows:

Date: 31 December 2019

Parties: (a) P&R (as seller)  
(b) The Hotel Purchaser (as buyer), a wholly-owned subsidiary of AMTD Shares Vendor

Save as disclosed under the section headed “Information on Other Counterparties” in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Hotel Purchaser and its ultimate beneficial owner are Independent Third Parties of Century City and its connected persons.

Assets disposed of: (a) Hotel Holding Company Sale Shares, representing 50% of the issued share capital of the Hotel Holding Company; and  
(b) Hotel Holding Company Sale Loan

Upon completion of the Hotel Interests Disposal on 31 December 2019, P&R’s equity interests in the Hotel Holding Company was reduced to 50% and the Hotel Holding Company has ceased as a subsidiary of Century City.

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## LETTER FROM THE BOARD

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P&R's undertakings:

P&R has undertaken with the Hotel Purchaser, among others:

- (a) to procure the fitting-out works in respect of the Hotel to be completed and procure the Hotel Holding Group to continue with its application for the Hotel Licence to ensure it is granted on or before 30 June 2020;
- (b) that the Hotel Holding Group has sufficient cash reserve to discharge and pay for in full the construction costs and adequate provisions for all outstanding construction costs have been made in the Completion Accounts as contemplated under the Hotel Interests Disposal Agreement;
- (c) to provide the Top Up Loan to Fine Cosmos on or before the Hotel Interests Disposal Completion Date;
- (d) to procure the entering into of the Hotel Management Agreement on or before the Hotel Interests Disposal Completion Date; and
- (e) to use its reasonable endeavours to procure that the Project Loan Facility be refinanced by the New Facility.

P&R has fulfilled the undertakings (c) and (d) above as at the Latest Practicable Date.

Hotel Purchaser's undertakings:

The Hotel Purchaser has undertaken with P&R, among others, to provide or procure that a several guarantee and/or other security be provided to the lender(s) of the Project Loan Facility and the New Facility in proportion to its shareholding interests in the Hotel Holding Company.

If P&R is required to provide or procure the abovementioned guarantee and/or other security be provided to the lender(s) of the Project Loan Facility and the New Facility in excess of its proportional interests in the Hotel Holding Company and the Hotel Call Option has not been exercised by the Hotel Purchaser, the Hotel Purchaser shall pay a guarantee fee equivalent to two (2)% per annum of such exceeded amount to P&R at the end of each calendar year and indemnify and keep P&R indemnified from and against all claims, liabilities, losses, reasonable costs and expenses which P&R, the guarantor(s) and/or the security provider(s) may suffer or incur.

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## LETTER FROM THE BOARD

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Hotel Interests Disposal  
Consideration:

approximately HK\$270.4 million, after the Hotel Consideration Adjustments, the basis for determination of which is as follows:

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

The Hotel Interests Disposal Consideration was determined after arm's length negotiations between P&R and the Hotel Purchaser by taking into account:

- (a) the agreed value of the Hotel at HK\$1,200.0 million; and
- (b) the amount of the Project Loan Facility of HK\$357.2 million and the Top Up Loan of HK\$302.8 million,

and accordingly, the net agreed value of the Hotel Holding Group is HK\$540.0 million. The Hotel Interests Disposal Consideration (before the Hotel Consideration Adjustments) of HK\$270.0 million represents 50% of such net agreed value.

The agreed value of the Hotel at HK\$1,200.0 million was determined with reference to other factors including the location and specifications of the Hotel and the then market conditions of the hotel industry in Hong Kong.

A property valuation report on the Hotel prepared by Knight Frank Petty Limited is set out in Appendix VII to this circular.

The amount of Hotel Consideration Adjustments was approximately HK\$0.42 million, being 50% of the NTAV in the amount of approximately HK\$0.84 million.

Payment terms:

The Hotel Purchaser paid the Hotel Interests Disposal Consideration in the following manner:

- (a) HK\$60.0 million in cash on the signing of the Hotel Interests Disposal Agreement; and

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## LETTER FROM THE BOARD

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- (b) the remaining approximately HK\$210.4 million (after the Hotel Consideration Adjustments) by the Loan Note, which was novated to the Second Cosmo Shares Purchaser by the Hotel Purchaser on 7 February 2020. The Loan Note is interest free and repayable in cash (or other securities subject to mutual agreement between the parties) on or before 31 March 2020 (or such later date as may be agreed in writing between the parties). It is guaranteed by AMTD Shares Vendor and secured by the Share Mortgage in respect of the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan in favour of P&R.

Completion:	Completion of the Hotel Interests Disposal took place on 31 December 2019.
Use of proceeds:	As general working capital of the P&R Group
Hotel Management Agreement:	Fine Cosmos entered into the Hotel Management Agreement on the date of the Hotel Interests Disposal Agreement, pursuant to which a wholly-owned subsidiary of Regal shall provide certain standard hotel management services, which will be in line with hotel industry norm, for the operations of the Hotel and receive the Hotel Management Fee in return from Fine Cosmos.
Hotel Call Option:	<p>The Hotel Purchaser was granted by P&amp;R the right, but not obligation, to purchase from P&amp;R:</p> <p>(a) an additional 1% equity interests in the Hotel Holding Company;</p> <p>(b) an additional 1% of the Hotel Shareholders' Loan; and</p> <p>(c) 51% of the then outstanding Top Up Loan,</p> <p>within a period of seven years after the Hotel Interests Disposal Completion Date, at an option price of HK\$5.4 million plus the face value of the then outstanding Top Up Loan to be transferred.</p>
Hotel Put Option:	<p>P&amp;R was granted by the Hotel Purchaser the right, but not obligation, to sell to the Hotel Purchaser:</p> <p>(a) within the first three years commencing after the Hotel Interests Disposal Completion Date (i.e. during the years 2020 to 2022),</p>

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## LETTER FROM THE BOARD

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- (i) an additional 19% equity interests in the Hotel Holding Company;
- (ii) an additional 19% of the Hotel Shareholders' Loan; and
- (iii) an additional 19% of the then outstanding Top Up Loan,

at the option price of HK\$125.4 million (during 2020), HK\$148.2 million (during 2021) or HK\$171.0 million (during 2022) plus the face value of the then outstanding Top Up Loan to be transferred; or

- (b) within the period between the fourth year and the seventh year after the Hotel Interests Disposal Completion Date (i.e. during the years 2023 to 2026),
  - (i) an additional 49% equity interests in the Hotel Holding Company;
  - (ii) an additional 49% of the Hotel Shareholders' Loan; and
  - (iii) an additional 49% of the then outstanding Top Up Loan,

at an option price of HK\$499.8 million (during 2023), HK\$558.6 million (during 2024), HK\$617.4 million (during 2025) or HK\$676.2 million (during 2026) plus the face value of the then outstanding Top Up Loan to be transferred.

The Hotel Put Option can only be exercised by P&R after the Hotel Call Option is exercised.

The Hotel Call Option was granted by P&R at the request of the Hotel Purchaser, which will give the Hotel Purchaser an opportunity to acquire the majority control in the Hotel Holding Company during the Hotel Call Option period if it considers fit. At the same time, the Hotel Put Option provides flexibility to P&R to dispose of its further interests in the Hotel Holding Company, ranging from 19% to 49% equity interests in the Hotel Holding Company at a pre-determined price in the event that the Hotel Purchaser exercises the Hotel Call Option to acquire majority control in the Hotel Holding Company. The mutual grant of the Hotel Call Option and the Hotel Put Option is part and parcel of the terms of the Hotel Interests Disposal Agreement.

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## LETTER FROM THE BOARD

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The option price of the Hotel Call Option at HK\$5.4 million for 1% equity interests in the Hotel Holding Company and 1% of the Hotel Shareholders' Loan (excluding the 51% of the then outstanding Top Up Loan which is determined based on its face value) was determined based on the proportional amount of the net agreed value of the Hotel Holding Group, being the difference between (a) the agreed value of the Hotel at HK\$1,200 million; and (b) the maximum amount of the Project Loan Facility (or the New Facility) and the Top Up Loan (i.e. HK\$660 million).

The option price of the Hotel Put Option (excluding up to an additional 49% of the then outstanding Top Up Loan which is determined based on its face value) was determined based on the proportional amount of the net agreed value of the Hotel Holding Group, being the difference between (a) the agreed value of the Hotel at HK\$1,200 million plus a pre-determined 10% increment in value per year during the exercise period of the Hotel Put Option; and (b) the maximum amount of the Project Loan Facility (or the New Facility) and the Top Up Loan (i.e. HK\$660 million).

Century City will comply with the relevant Listing Rules requirements in the event that P&R decides to exercise the Hotel Put Option.

### THE HOTEL SHAREHOLDERS' AGREEMENT

On 31 December 2019 (after trading hours of the Stock Exchange), P&R, the Hotel Purchaser, AMTD Shares Vendor (as guarantor to the Hotel Purchaser), the Hotel Holding Company and Fine Cosmos entered into the Hotel Shareholders' Agreement setting out the rights and obligations of the shareholders of the Hotel Holding Company.

On 7 February 2020, (a) P&R; (b) the Hotel Purchaser; (c) the Second Cosmo Shares Purchaser; (d) the AMTD Shares Vendor; (e) the Hotel Holding Company; and (f) Fine Cosmo entered into the Hotel Supplemental Shareholders' Agreement, pursuant to which the Second Cosmo Shares Purchaser shall replace the Hotel Purchaser to assume all rights and obligations of the Hotel Purchaser under the Hotel Shareholders' Agreement.

The major terms of the Hotel Shareholders Agreement (as supplemented by the Hotel Supplemental Shareholders' Agreement) are set out below:

- Parties:
- (a) P&R (as the 50% shareholder of Hotel Holding Company)
  - (b) Hotel Purchaser (as the 50% shareholder of Hotel Holding Company before it assigned 50% interests in the Hotel Holding Company, the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan to the Second Cosmo Shares Purchaser under an assignment deed dated 7 February 2020)

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## LETTER FROM THE BOARD

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- (c) Second Cosmo Shares Purchaser (as the assignee of the 50% interests in the Hotel Interests Disposal Agreement, the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan under an assignment deed dated 7 February 2020)
- (d) AMTD Shares Vendor (as guarantor for the performance of the obligations of the Second Cosmo Shares Purchaser under the Hotel Shareholders Agreement)
- (e) Hotel Holding Company
- (f) Fine Cosmos

**Board composition:**

The board of directors of each member of the Hotel Holding Group shall consist of not more than eight directors. P&R and the Second Cosmo Shares Purchaser shall each have the right to appoint, remove or substitute up to four directors. So long as the Second Cosmo Shares Purchaser continues to hold not less than 50% equity interests in the Hotel Holding Company, it shall be entitled to nominate the chairman of the board of directors of each member of the Hotel Holding Group who shall not have a casting vote.

**Quorum for board meetings:**

2 directors, comprising at least 1 director nominated by each of P&R and the Second Cosmo Shares Purchaser.

Any director(s) present at any adjourned meeting shall constitute a valid quorum.

**Funding:**

Please refer to the section headed “B. Hotel Financial Assistance” below.

**Voting:**

Each shareholder of the Hotel Holding Company shall have one vote for each share it owns. Save for the matters requiring unanimous vote as set out below, the resolutions proposed at any general meeting of the Hotel Holding Company shall be passed by a simple majority of votes.

**Matters requiring unanimous vote:**

The following shall not be undertaken by a member of the Hotel Holding Group without the prior written consent of all shareholders of the Hotel Holding Company:

- (a) any increase, reduction, alteration or reconstitution of its share capital or entering into any arrangement with its creditors;

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## LETTER FROM THE BOARD

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- (b) any creation or issue of any other class of shares, warrants or loan stocks or give any option in respect of any class of shares, warrants or loan stocks;
- (c) obtaining any external financing or creation of any charge or encumbrance on any assets of any member of the Hotel Holding Group other than for the purpose of securing the New Facility;
- (d) disposal of any interest in its subsidiaries or substantial assets of the Hotel Holding Group;
- (e) entering into any new business not related to the then existing business of the Hotel Holding Group or cessation of any existing business;
- (f) incurring any material expenditure or liability of a capital nature;
- (g) altering any of the provisions of the articles of association of any member of the Hotel Holding Group or pass a resolution that it be wound up;
- (h) entering into any joint venture, partnership, long term or abnormal contract or capital commitment;
- (i) giving any guarantee, indemnity or security in respect of the obligations of any third party; and
- (j) replacing the manager of the Hotel or amending or terminating the Hotel Management Agreement.

### Transfer of shares:

No shareholder of the Hotel Holding Company shall transfer or dispose of its shares and/or beneficial interests in the Hotel Holding Company, or cause its ultimate beneficial ownership to be changed, without the prior written consent of the other shareholder(s) of the Hotel Holding Company, except for transfer of any shares in the Hotel Holding Company by any shareholder of the Hotel Holding Company to its affiliate and subsidiary. Transfers of shares in the Hotel Holding Company shall be subject to pre-emption rights in favour of the other shareholder of the Hotel Holding Company.

### FINANCIAL EFFECTS OF THE HOTEL INTERESTS DISPOSAL

The Hotel Holding Company has ceased as a subsidiary of each of P&R and Century City upon Hotel Interests Disposal Completion. Accordingly, the financial statements of the Hotel Holding Company is no longer consolidated to the financial statements of each of P&R and Century City. After the Hotel Interests Disposal Completion, the remaining 50% equity interests in the Hotel Holding Company held by P&R has been accounted for as an associate by Century City using the equity method of accounting.



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## LETTER FROM THE BOARD

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Based on the agreed value of the Hotel at HK\$1,200.0 million and the carrying amount of approximately HK\$708.6 million on the book of Century City as at 31 December 2019, a gain (before tax and non-controlling interests) of approximately HK\$491.4 million, including a gain on the remeasurement of the carrying amount of the remaining 50% equity interests in the Hotel Holding Company held by P&R, was recorded in the consolidated financial statements of Century City upon Hotel Interests Disposal Completion. The disposal gain of HK\$491.4 million was calculated based on (a) the disposal gain from the 50% agreed value of the Hotel at HK\$1,200 million (i.e. HK\$600 million) against the carrying amount of 50% interests in the Hotel of approximately HK\$354.3 million as at 31 December 2019; and (b) the unrealised gain between the remeasurement value of HK\$600 million and the carrying amount of approximately HK\$354.3 million for the remaining 50% interests in the Hotel.

The total assets of Century City Group increased by approximately HK\$133.9 million and the total liabilities of Century City Group decreased by approximately HK\$357.5 million upon the Hotel Interests Disposal Completion.

### **B. HOTEL FINANCIAL ASSISTANCE**

The development of the Hotel has been partially financed by the Project Loan Facility, which is guaranteed by Paliburg and Regal in proportion to their respective equity interests in P&R on a several basis. Pursuant to the Hotel Shareholders' Agreement, P&R has undertaken to use its reasonable endeavours to procure the New Facility to refinance the Project Loan Facility and the Top Up Loan. As at the Latest Practicable Date, no New Facility has been concluded. P&R has advanced the Top Up Loan to Fine Cosmos on an unsecured basis upon the Hotel Interests Disposal Completion.

### **TOP UP LOAN**

The major terms of the Top Up Loan are set out below:

Parties:	(a) P&R (as lender): (b) Fine Cosmos (as borrower)
Loan Amounts:	Up to HK\$302.8 million divided into two tranches: (a) up to HK\$242.8 million and (b) up to HK\$60.0 million  The actual amount of the Top Up Loan provided by P&R was HK\$302.8 million.
Repayment terms:	On the 3rd anniversary of Hotel Interests Disposal Completion (i.e. 31 December 2022).
Interest rate:	(a) the aggregate of 1.15% per annum over 1-month HIBOR (the " <b>Base Rate</b> ") for up to HK\$242.8 million and (b) two times the Base Rate for up to HK\$60.0 million.

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## LETTER FROM THE BOARD

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Transferability:	P&R may transfer its rights and obligations under the Top Up Loan without the prior consent of Fine Cosmos.
Undertaking by Fine Cosmos:	No repayment of the Hotel Shareholders' Loan shall be made unless and until the entire Top Up Loan together with interest accrued thereon has been repaid in full.

### GUARANTEES

Paliburg and Regal have continued to provide the Guarantees for the Project Loan Facility (as procured by P&R) after the Hotel Interests Disposal Completion. As the Hotel Holding Company has ceased as a subsidiary of Century City and P&R upon the Hotel Interests Disposal Completion, the Guarantees has become a transaction for Century City under Rule 14.04(1)(e) of the Listing Rules and therefore, is subject to the announcement requirement under Chapter 14 of the Listing Rules.

The major terms of the Guarantees are set out below:

Date of Guarantees:	7 February 2012, 29 May 2015 (supplemented) and 10 October 2018 (further supplemented)
Parties:	(a) Paliburg (as guarantor) (b) Regal (as guarantor) (c) the relevant bank in respect of the Project Loan Facility (as lender)
Scope of Guarantees:	the principal and the interest thereon and other monies payable by Fine Cosmos to the relevant bank in respect of the Project Loan Facility
Liability of each of the guarantors:	on a several basis, i.e. 50% of the liabilities under the Guarantees, including the principal and the interest thereon and other monies payable by Fine Cosmos

The Guarantees for the Project Loan Facility will be released upon repayment in full of the Project Loan Facility.

Pursuant to the Hotel Shareholders' Agreement, P&R has undertaken to procure the Guarantees for the Project Loan Facility and its refinancing.

### **Directors' View on Fairness and Reasonableness of the Hotel Interests Disposal and the Hotel Financial Assistance**

By taking into consideration the reasons as stated under the section headed "Reasons for and Benefits of the Transactions", the terms and conditions of each of the Hotel Interests Disposal and the

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## LETTER FROM THE BOARD

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Hotel Financial Assistance and the basis for determination of the Hotel Interests Disposal Consideration, the Directors are of the view that the terms of each of the Hotel Interests Disposal and the Hotel Financial Assistance are fair and reasonable and in the interests of Century City and the Century City Shareholders as a whole.

### IV. AMTD III SHARE SWAP

The AMTD III Share Swap comprises the Second Cosmo Shares Transfer and the AMTD III Acquisition.

#### A. THE SECOND COSMO SHARES TRANSFER

On 24 January 2020 (after trading hours of the Stock Exchange), the Second Cosmo Shares Vendor entered into the Second Cosmo Shares Transfer Agreement with the Second Cosmo Shares Purchaser, AMTD Shares Vendor and P&R Finance, pursuant to which the Second Cosmo Shares Vendor conditionally agreed to sell and the Second Cosmo Shares Purchaser conditionally agreed to acquire the Second Cosmo Shares at HK\$1.70 per Cosmopolitan Share.

#### THE SECOND COSMO SHARES TRANSFER AGREEMENT

The major terms of the Second Cosmo Shares Transfer Agreement are set out as follows:

- Date: 24 January 2020
- Parties:
- (a) Second Cosmo Shares Vendor (as seller), a wholly-owned subsidiary of P&R
  - (b) P&R Finance (as buyer under the AMTD III Acquisition Agreement)
  - (c) Second Cosmo Shares Purchaser (as buyer)
  - (d) AMTD Shares Vendor (as seller under the AMTD III Acquisition Agreement)

Save as disclosed under the section headed “Information on Other Counterparties” in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Second Cosmo Shares Purchaser and the AMTD Shares Vendor and their ultimate beneficial owners are Independent Third Parties of Century City and its connected persons.

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## LETTER FROM THE BOARD

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Assets to be disposed of: 368,320,000 Cosmopolitan Shares, representing approximately (a) 8.3% of the issued Cosmopolitan Shares; and (b) 5.4% of the issued shares of Cosmopolitan (including issued Cosmopolitan Shares and Cosmopolitan CPSs) as at the Latest Practicable Date.

Consideration: The price per Second Cosmo Share is HK\$1.70, representing (a) a discount of approximately 1.16% to the closing price of HK\$1.72 per Cosmopolitan Share as quoted on the Stock Exchange on 24 January 2020; and (b) a premium of approximately 77.1% over the closing price of HK\$0.96 per Cosmopolitan Share as quoted on the Stock Exchange on the Latest Practicable Date. The price per Second Cosmo Share was negotiated on an arm's length basis between the Second Cosmo Shares Vendor and the Second Cosmo Shares Purchaser with reference to the then prevailing market price of the Cosmopolitan Shares.

The total consideration for the Second Cosmo Shares Transfer is approximately HK\$626.1 million.

Payment terms: The consideration for the Second Cosmo Shares Transfer shall be paid and satisfied by AMTD Shares Vendor transferring and delivering the AMTD III Shares under the AMTD III Acquisition to P&R Finance on the date of completion of the Second Cosmo Shares Transfer.

Conditions precedent: Completion of the Second Cosmo Shares Transfer is conditional upon,

- (a) Century City having obtained approval of the transactions contemplated under the Second Cosmo Shares Transfer Agreement from the Century City Shareholders in a general meeting;
- (b) Paliburg having obtained approval of the transactions contemplated under the Second Cosmo Shares Transfer Agreement from its shareholders by written approval; and
- (c) the AMTD III Acquisition Agreement having been signed and the AMTD III Acquisition having become unconditional (other than the condition relating to the Second Cosmo Shares Transfer Agreement having become unconditional).

As at the Latest Practicable Date, none of the conditions precedent were satisfied.

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## LETTER FROM THE BOARD

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- Completion: Completion of the Second Cosmo Shares Transfer shall take place on the third Business Day after the day on which the last condition precedent is satisfied.
- If the condition precedents are not satisfied on or before 24 April 2020 or such other date as the parties may agree in writing, the Second Cosmo Shares Transfer Agreement shall terminate.
- Upon completion of the Second Cosmo Shares Transfer, the Second Cosmo Shares shall be transferred and delivered to the Second Cosmo Shares Purchaser.
- Undertaking by the Second Cosmo Shares Purchaser: Subject to availability of a scrip dividend alternative option offered by Cosmopolitan, so long as Second Cosmo Shares Purchaser or its affiliates holds any of the Second Cosmo Shares or any reinvestment shares in Cosmopolitan prior to 31 December 2026, the Second Cosmo Shares Purchaser shall elect to receive any and all dividends or distributions declared or distributed by Cosmopolitan in Cosmopolitan Shares with respect to the Second Cosmo Shares under the Second Cosmo Shares Transfer and reinvestment shares in Cosmopolitan held by Second Cosmo Shares Purchaser or its affiliates. The reinvestment period shall be automatically extended for seven years and ends on 31 December 2033 unless the parties mutually agree otherwise.
- Lock-up: The Second Cosmo Shares Purchaser shall not, during the 180 days lock-up period after completion of the Second Cosmo Shares Transfer, transfer any Second Cosmo Shares acquired under the Second Cosmo Shares Transfer Agreement and any reinvestment shares in Cosmopolitan without the prior written consent of the Second Cosmo Shares Vendor except for transfer of such Second Cosmo Shares (including any reinvestment shares in Cosmopolitan) to any of the affiliates of the Second Cosmo Shares Purchaser.

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## LETTER FROM THE BOARD

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### B. THE AMTD III ACQUISITION

On 24 January 2020 (after trading hours of the Stock Exchange), P&R Finance and the AMTD Shares Vendor entered into the AMTD III Acquisition Agreement, pursuant to which the AMTD Shares Vendor conditionally agreed to sell and P&R Finance conditionally agreed to acquire the AMTD III Shares at the AMTD Shares Acquisition Price.

### THE AMTD III ACQUISITION AGREEMENT

The major terms of the AMTD III Acquisition Agreement are set out as follows:

Date: 24 January 2020

Parties: (a) P&R Finance (as buyer), a wholly-owned subsidiary of P&R  
(b) AMTD Shares Vendor (as seller), an investment holding company and the controlling shareholder of AMTD

Save as disclosed under the section headed “Information on Other Counterparties” in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the AMTD Shares Vendor and its ultimate beneficial owners are Independent Third Parties of Century City and its connected persons.

Assets to be acquired: 9,500,000 AMTD Class A Shares, representing approximately (a) 3.9% of the total issued share capital of AMTD; (b) 0.3% of the total voting power represented by the total issued share capital of AMTD; and (c) 15.2% of the AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date

Taking into account of the AMTD I Shares, the AMTD II Shares and the AMTD III Shares, Century City Group (including the P&R Group and the Cosmopolitan Group) will be interested in an aggregate of 21,243,000 AMTD Class A Shares representing approximately (a) 8.6% of the total issued share capital of AMTD; (b) 0.6% of the total voting power represented by the total issued share capital of AMTD; and (c) 34.1% of the AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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- Consideration: The AMTD Shares Acquisition Price is US\$8.45 (equivalent to approximately HK\$65.91) per AMTD Class A Share which represented (a) a discount of approximately 0.59% to the closing price of US\$8.50 per ADS as quoted on the New York Stock Exchange on 23 January 2020; (b) a premium of approximately 19.0% over the closing price of US\$7.10 per ADS as quoted on the New York Stock Exchange on the Latest Practicable Date; and (c) a premium of approximately 0.8% over the offer price of US\$8.38 per ADS at the time of AMTD's initial public offering in August 2019. The AMTD Shares Acquisition Price was negotiated on an arm's length basis between P&R Finance and the AMTD Shares Vendor and was determined with reference to the then prevailing market price of ADSs.
- The total consideration for the AMTD III Acquisition is approximately US\$80.3 million (equivalent to approximately HK\$626.1 million).
- Payment terms: The consideration for AMTD III Acquisition shall be paid and satisfied by the Second Cosmo Shares Vendor transferring and delivering the Second Cosmo Shares under the Second Cosmo Shares Transfer to the Second Cosmo Shares Purchaser on the date of completion of the AMTD III Acquisition.
- Conditions precedent: Completion of the AMTD III Acquisition is subject to the satisfaction or waiver (as the case may be) by P&R Finance and the AMTD Shares Vendor of the following conditions precedent:
- (a) no provision of any applicable law or no judgment entered by or with any governmental authority with competent jurisdiction, shall be in effect that enjoins, prohibits or materially alters the terms of the transactions contemplated by the AMTD III Acquisition Agreement;
  - (b) no proceeding challenging the AMTD III Acquisition Agreement or the transactions contemplated thereby, or seeking to prohibit, alter, prevent or materially delay the completion, shall have been instituted or be pending before any governmental authority;
  - (c) the Second Cosmo Shares Transfer Agreement shall have been signed and the Second Cosmo Shares Transfer having become unconditional (other than the condition relating to the AMTD III Acquisition Agreement having become unconditional);

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## LETTER FROM THE BOARD

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- (d) Century City having obtained approval of the transactions contemplated under the AMTD III Acquisition Agreement from the Century City Shareholders in general meeting in accordance with the requirements of the Listing Rules;
- (e) Paliburg having obtained approval of the transactions contemplated under the AMTD III Acquisition Agreement from its shareholders by written approval in accordance with the requirements of the Listing Rules;
- (f) the representations and warranties of the AMTD Shares Vendor shall be true and correct in all material respects;
- (g) there shall have been no material adverse effect on the financial condition or results of operations of AMTD and its subsidiaries taken as a whole;
- (h) the representations and warranties of P&R Finance shall be true and correct in all material respects; and
- (i) both parties shall have performed all of their obligations and fulfilled all of their conditions in accordance with the AMTD III Acquisition Agreement.

As at the Latest Practicable Date, none of the conditions precedent were satisfied.

Completion:

Subject to the fulfilment of the relevant conditions precedent, the completion of the AMTD III Acquisition shall take place on or before 29 April 2020 concurrently with completion of the Second Cosmo Shares Transfer.

Undertaking by P&R  
Finance:

So long as P&R Finance or its affiliates hold any AMTD III Shares prior to 31 December 2026, P&R Finance shall, and shall cause its affiliates to, reinvest any future cash dividends to be declared and paid by AMTD with respect to the AMTD III Shares under the AMTD III Acquisition and any reinvestment shares in AMTD under its ownership by way of purchase of AMTD Class A Shares from the AMTD Shares Vendor or subscription of new AMTD Class A Shares to be determined by the AMTD Shares Vendor up to a cumulative limit of HK\$320 million for the initial reinvestment period up to 31 December 2026 at a price per AMTD Class A Share that is equal to the average closing price of the ADSs for 15 trading days prior to the relevant record date set by AMTD for the purposes of distributing the cash dividends. The reinvestment period shall be automatically extended for seven years and ends on 31 December 2033 unless the parties mutually agree otherwise.



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## LETTER FROM THE BOARD

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Lock-up: P&R Finance shall not, during the 180 days lock-up period after completion of the AMTD III Acquisition, transfer any AMTD Class A Shares acquired under the AMTD III Acquisition without the prior written consent of the AMTD Shares Vendor except for transfer of any AMTD Class A Shares (including any AMTD III Shares and reinvestment shares in AMTD) to any of its affiliates and subsidiaries.

There is no provision in the AMTD III Acquisition Agreement under which P&R Finance will be entitled (a) to nominate or appoint any director to the board of AMTD and (b) to be involved in the day-to-day operation of AMTD.

A circular dated 31 March 2020 in relation to the Transactions was issued by Century City and despatched to the Century City Shareholders. The SGM will be held for the Century City Shareholders to consider and, if thought fit, approve the AMTD III Share Swap.

### **Directors' view on fairness and reasonableness of the Second Cosmo Shares Transfer and the AMTD III Acquisition**

By taking into consideration the reasons as stated under the section headed "Reasons for and Benefits of the Transactions", the terms and conditions of each of the Second Cosmo Shares Transfer Agreement and the AMTD III Acquisition Agreement, and the basis for determination of each of the price for the Second Cosmo Shares Transfer and the AMTD Shares Acquisition Price, the Directors are of the view that the terms of each of the Second Cosmo Shares Transfer and the AMTD III Acquisition are fair and reasonable and in the interests of Century City and the Century City Shareholders as a whole.

### **INFORMATION ON CENTURY CITY GROUP**

Century City Group is principally engaged in property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing business and other investments including financial assets investments.

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

Regal is a listed subsidiary of Paliburg. Regal Group is principally engaged in hotel ownership business undertaken through Regal Real Estate Investment Trust ("**Regal REIT**"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through P&R, aircraft ownership and leasing business and other investments including financial assets investments.

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## LETTER FROM THE BOARD

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RH International is a wholly-owned subsidiary of Regal, the medium term notes and the senior perpetual securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 5687 and 5425).

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

Cosmopolitan is a listed subsidiary of Paliburg and, through Paliburg, of Century City. Cosmopolitan Group is principally engaged in property development and investment and other investments, which are mainly focused in the PRC, and investment in financial assets.

### Financial information on Cosmopolitan

Based on the published consolidated financial statements of Cosmopolitan Group for the years ended 31 December 2017, 31 December 2018 and 31 December 2019, set out below is the key financial information of Cosmopolitan Group:

	For the financial year ended 31 December		
	2017	2018	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	830.1	2,147.3	119.6
Profit/(loss) before taxation	36.3	316.5	(144.2)
Profit/(loss) after taxation	11.8	201.9	(170.3)

	As at 31 December		
	2017	2018	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Total assets	5,855.3	4,638.6	5,347.6
Total liabilities	4,542.7	3,225.5	4,147.7
Net assets	1,312.6	1,413.1	1,199.9

Based on the final results announcement of Cosmopolitan for the year ended 31 December 2019, the net asset value per Cosmopolitan Share as at 31 December 2019 as disclosed in Cosmopolitan's final results announcement for the year ended 31 December 2019 is HK\$0.18.

### INFORMATION ON AMTD

AMTD is a comprehensive financial institution headquartered in Hong Kong which was incorporated under the laws of the Cayman Islands. AMTD (through its subsidiaries) operates a full-service platform encompassing three business lines: investment banking, asset management, and

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## LETTER FROM THE BOARD

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strategic investment. According to the AMTD Prospectus, under the investment banking segment, AMTD (through its subsidiaries) offers a broad range of services including equity underwriting, debt underwriting, advisory (on credit rating, financing, and mergers and acquisitions transactions), securities brokerage, institutional sales and distribution, and research; under the asset management segment, AMTD (through its subsidiaries) provides professional investment management and advisory services primarily to corporate and institutional clients; under the strategic investment platform, AMTD makes long-term strategic investments focusing on Asia's financial and new economy sectors. ADSs of AMTD have been listed on the New York Stock Exchange under the symbol "HKIB" since August 2019.

The share capital of AMTD comprises AMTD Class A Shares and AMTD Class B Shares. Holders of AMTD Class A Shares and AMTD Class B Shares have the same rights (including dividend rights) except for voting rights and conversion right. Each AMTD Class A Share is entitled to one vote and is not convertible into AMTD Class B Share. Each AMTD Class B Share is entitled to twenty votes and is convertible into one AMTD Class A Share. As at the Latest Practicable Date, there were 46,758,851 AMTD Class A Shares and 198,852,628 AMTD Class B Shares in issue.

Upon completion of the AMTD I Acquisition, the AMTD II Acquisition and the AMTD III Acquisition, P&R Group (excluding Cosmopolitan Group), Cosmopolitan Group and Regal Group will be interested in 15,174,000, 6,069,000, and 461,538 AMTD Class A Shares, respectively, representing 6.2%, 2.5% and 0.2% of the total issued share capital of AMTD, respectively.

As at the Latest Practicable Date, AMTD had 23,873,655 ADSs in issue. Holders of ADS are not treated as the shareholders of AMTD and do not have shareholder rights. Shareholder rights of AMTD shareholders are governed by Cayman Islands law. The depositary which registers and delivers the ADS is the holder of AMTD Class A Shares underlying ADSs. A registered holder of ADSs has ADS holder rights. A deposit agreement among AMTD, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The depositary will deliver ADSs if holders of AMTD Class A Shares or their brokers deposit shares or evidence of rights to receive shares with the custodian appointed or engaged by AMTD. Upon payment of its fees and expenses (including US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs) for issuance of ADSs) and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names requested and will deliver the ADSs to or upon the order of the person or persons that made the deposit, which is expected to be completed within 5 calendar days.

The depositary will convert any cash dividend or other cash distribution AMTD pays on the shares into United States dollars, if it can do so on a reasonable basis and can transfer the United States dollars to the United States. Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted.

ADS holders are entitled to instruct the depositary how to vote the number of deposited shares their ADSs represent. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of its articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders.

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## LETTER FROM THE BOARD

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Except by instructing the depositary as described above, ADS holders will not be able to exercise voting rights at the shareholders' meeting of AMTD unless they surrender their ADSs and withdraw the AMTD Class A Shares.

### Financial information on AMTD

Based on the published consolidated financial statements of AMTD for the two years ended 31 December 2018 as extracted from the AMTD Prospectus and prepared in accordance with the IFRS, and the published condensed consolidated financial statements of AMTD for the nine months ended 30 September 2019 as extracted from its interim results for the nine months ended 30 September 2019, set out below is the key financial information of AMTD:

	<b>For the financial year ended 31 December</b>		<b>For the nine months ended 30 September</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,033,164	723,226	1,042,008
Profit before taxation	808,585	608,965	881,073
Profit after taxation	673,372	525,126	741,343
			<b>As at</b>
	<b>As at 31 December</b>		<b>30 September</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	6,041,617	7,107,190	7,086,735
Total liabilities	3,372,341	3,912,788	1,130,195
Net assets	2,669,276	3,194,402	5,956,540

As at 30 September 2019, the net asset value per AMTD ordinary share was approximately HK\$25.5 (approximately US\$3.27). AMTD has not declared any dividend since the listing of its ADSs in August 2019.

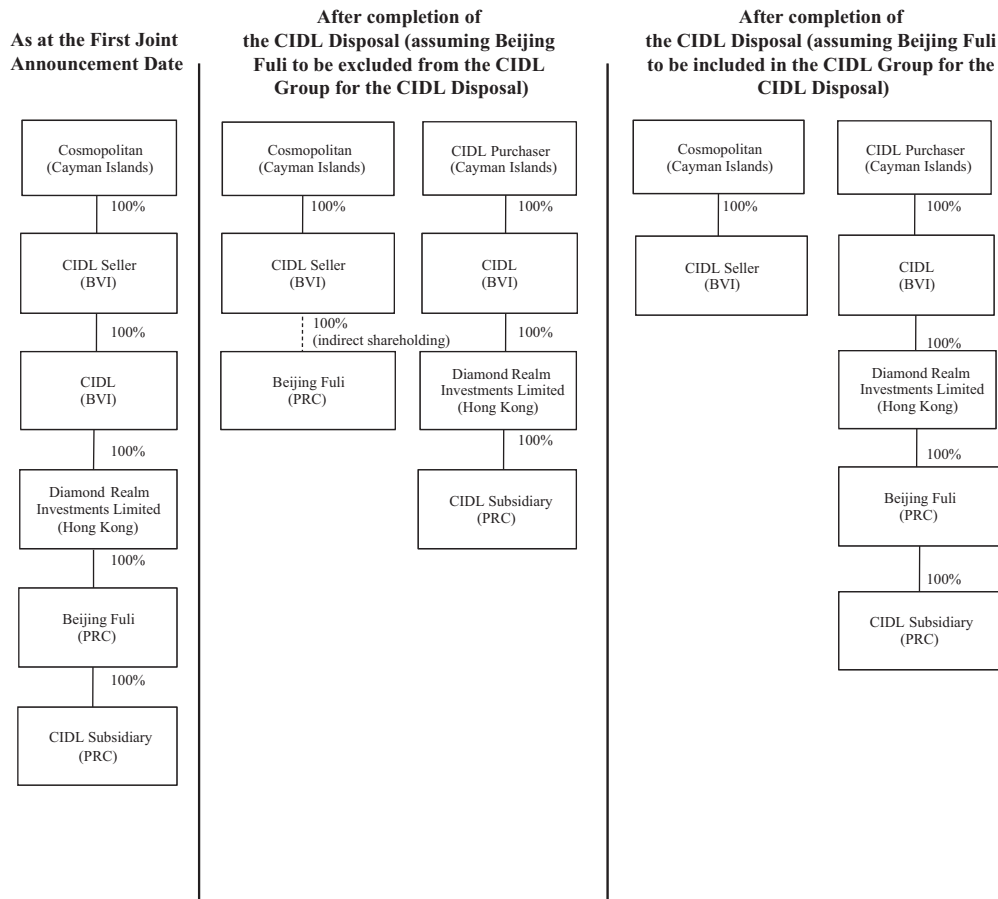
Please refer to the Appendix III "Financial Information of AMTD" to this circular for further details.

### INFORMATION ON THE CIDL GROUP

CIDL is an investment holding company. The CIDL Subsidiary has not commenced any business since its establishment other than advancing of the Chengdu Fuhui Debts. The principal assets held by CIDL Subsidiary are the Chengdu Fuhui Debts.

## LETTER FROM THE BOARD

Set out below is the shareholding structure of the CIDL Group as at the First Joint Announcement Date and upon completion of the CIDL Disposal in the following scenarios:



Reference is made to the joint announcement dated 16 January 2020 issued by the Relevant Group Companies and the circular dated 5 March 2020 and the announcement dated 24 March 2020 both issued by Cosmopolitan.

On 16 January 2020, the Civil Complaints lodged by CIDL Subsidiary as plaintiff against certain defendants, including but not limited to, Yuancheng Logistics and its controlling shareholder, on the grounds of certain breaches relating to the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement, were formally accepted by the Chengdu Intermediate Court of Sichuan Province\* (四川省成都市中級人民法院). CIDL Seller has disclosed in the CIDL Disposal Agreement these potential legal proceedings to CIDL Purchaser. As subsequently informed by the Chengdu Intermediate Court of Sichuan Province, the three Civil Complaints would be transferred to the Shanghai No. 3 Intermediate Court\* (上海市第三中級人民法院) on the grounds that the Shanghai No. 3 Intermediate Court has formally accepted an application for the liquidation of Yuancheng Logistics lodged by its creditor. As at the Latest Practicable Date, the legal proceedings for the Civil Complaints were still in progress.

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## LETTER FROM THE BOARD

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CIDL Subsidiary is the plaintiff of the Civil Complaints. Any award of or any loss resulting from the Civil Complaints will be accrued to CIDL Subsidiary. After completion of the CIDL Disposal, the CIDL Purchaser (as the indirect beneficial owner of the CIDL Subsidiary) will be entitled to retain the award of or will be responsible for any loss resulting from the Civil Complaints. However, if completion of the CIDL Disposal does not take place, CIDL Subsidiary would remain as a subsidiary of Century City through Cosmopolitan and Cosmopolitan would be entitled to retain the award of or would be responsible for any loss resulting from the Civil Complaints.

In the event that the completion of the CIDL Disposal does not take place, if the amount of remedies awarded to the CIDL Subsidiary in the Civil Complaints is less than the Chengdu Fuhui Debts, Cosmopolitan Group will recognise a loss resulting from the excess of the amount of Chengdu Fuhui Debts over the amount of remedies awarded to the CIDL Subsidiary in the Civil Complaints, subject to the assessment of recoverability of the amount of remedies awarded. On the contrary, if the amount of remedies awarded is higher than the amount of the Chengdu Fuhui Debts, Cosmopolitan Group will recognise a gain, subject to the assessment of recoverability of the amount of remedies awarded. The outcome of the Civil Complaints will have no financial impact on Cosmopolitan Group if the CIDL Disposal is completed.

Before the completion of the CIDL Disposal, Cosmopolitan is responsible for the handling of the Civil Complaints, as CIDL Subsidiary is still a member of the Cosmopolitan Group. Pursuant to the CIDL Disposal Agreement, after completion of the CIDL Disposal, CIDL Purchaser shall appoint parties designated by CIDL Seller to be the sole and exclusive collection agent to collect the Chengdu Fuhui Debts. Accordingly, the Cosmopolitan Group will continue to handle the Civil Complaints on behalf of the CIDL Purchaser after completion of the CIDL Disposal.

### INFORMATION ON THE HOTEL HOLDING GROUP

The Hotel Holding Company, wholly-owned by P&R immediately before the completion of the Hotel Interests Disposal, is a limited liability company established in the BVI. 50% equity interests of the Hotel Holding Company were sold to the Hotel Purchaser pursuant to the Hotel Interests Disposal Agreement, which were further assigned to the Second Cosmo Shares Purchaser pursuant to an assignment deed dated 7 February 2020. It is the sole beneficial owner of Fine Cosmos which in turn holds the Hotel.

The Hotel Holding Group is engaged in the investment and development of the Hotel, the key specifications of which are as follows:

Location:	Nos. 5-7 Bonham Strand West and Nos. 169-171 Wing Lok Street, Sheung Wan, Hong Kong
No. of guestrooms:	98 guestrooms and suites (162 room bays)
No. of storeys:	32 storeys (including basement and ground floor)
Gross floor area:	Approximately 5,236 square metres
Development area:	Approximately 6,838 square metres

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## LETTER FROM THE BOARD

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The occupation permit for the Hotel was issued on 19 November 2019. It is expected that the Hotel Licence of the Hotel will be obtained before 30 June 2020.

### Financial information of the Hotel Holding Group

Based on the financial information of the Hotel Holding Group, set out below is the key financial information of the Hotel Holding Group for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019:

	For the financial year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Revenue	–	–	–
Loss before/after taxation	72	71	1,601

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Total assets	307,730	438,480	574,446
Total liabilities	646,978	777,799	915,366
Net liabilities	339,248	339,319	340,920

### INFORMATION ON OTHER COUNTERPARTIES

The First Cosmo Shares Purchaser is a company incorporated in the Cayman Islands, principally engaged in, among others, investment activities, focusing on financial institutions, internet technology, infrastructure. Mr. Qu Xiao Chuan, an entrepreneur with investments across a number of industries, is the ultimate beneficial owner who owns 90% shareholding interests in the First Cosmo Shares Purchaser.

The Second Cosmo Shares Purchaser is a company incorporated in the BVI and a wholly-owned subsidiary of the Hotel Purchaser and the AMTD Shares Vendor. The Second Cosmo Shares Purchaser is principally engaged in investment holding.

CIDL Purchaser is a company incorporated in the Cayman Islands and an investment holding company. Mr. CONG Lin, an entrepreneur with investments across a number of industries, is the ultimate beneficial owner of the CIDL Purchaser. As disclosed in the AMTD Prospectus, Mr. CONG Lin is a director of L.R. Capital Management Company (Cayman) Limited, which indirectly owns 61.6% of the total issued shares of AMTD Shares Vendor.

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## LETTER FROM THE BOARD

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AMTD Shares Vendor is a company incorporated in the BVI, and the controlling shareholder of AMTD. As disclosed in the AMTD Prospectus, the shareholders of AMTD Shares Vendor include Infinity Power Investments Limited, a company wholly-owned by Mr. Calvin CHOI, the chairman of the board of directors and chief executive officer of AMTD, and L.R. Capital Financial Holdings Limited, which is ultimately controlled by L.R. Capital Management Company (Cayman) Limited. Infinity Power Investments Limited and L.R. Capital Financial Holdings Limited owned 32.5% and 61.6% of the total issued shares of AMTD Shares Vendor, respectively. The AMTD Shares Vendor was deemed a connected person of Cosmopolitan under Rule 14A.20 of the Listing Rules, and as at the Latest Practicable Date, the P&R Group was interested in 5,674,000 AMTD Class A Shares, and the Regal Group was interested in 461,538 AMTD Class A Shares and US\$14.1 million worth of 7.625% senior perpetual securities issued by AMTD Shares Vendor, which are listed on the Stock Exchange (stock code: 5222).

The Hotel Purchaser is a company incorporated in the BVI and a wholly-owned subsidiary of AMTD Shares Vendor. The Hotel Purchaser is principally engaged in investment holding.

Save as disclosed above and in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, each of the First Cosmo Shares Purchaser, the Second Cosmo Shares Purchaser, the CIDL Purchaser, AMTD, the AMTD Shares Vendor and the Hotel Purchaser (a) does not hold shares of each other; and (b) is not related to Century City and its connected persons.

### **FINANCIAL EFFECTS OF THE FIRST COSMO SHARES TRANSFER AND THE SECOND COSMO SHARES TRANSFER**

The First Cosmo Shares Transfer and the Second Cosmo Shares Transfer are regarded as linked transactions with the AMTD I Acquisition and AMTD III Acquisition respectively in accordance with the guidance of the relevant accounting standards. Based on an assumption adopted in the Appendix VI - Unaudited Pro Forma Financial Information of the Century City Group that the aggregate fair values of the AMTD I Shares and the AMTD III Shares would be the same as the total considerations for the AMTD I Acquisition and the AMTD III Acquisition upon completion of the AMTD I Acquisition and the AMTD III Acquisition, the assets of the Century City Group would increase by approximately HK\$1,000.1 million upon completion of the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer. In addition to the actual effect of the increase in the assets of the Century City Group as mentioned in the section “FINANCIAL EFFECTS OF THE FIRST COSMO SHARES TRANSFER” above because of the actual difference between the fair value of the AMTD I Shares and the consideration for the AMTD I Acquisition upon its completion, the actual increase in the assets of the Century City Group would be (i) more if the fair value of the AMTD III Shares is higher than the consideration for the AMTD III Acquisition or (ii) less if the fair value of the AMTD III Shares is lower than the consideration for the AMTD III Acquisition, upon completion of the AMTD III Acquisition. The respective total consideration for the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer of HK\$374.0 million and HK\$626.1 million is higher than the net asset value of the First Cosmo Shares and the Second Cosmo Shares of approximately HK\$39.6 million and HK\$66.3 million respectively as at 31 December 2019 (based on the net asset value per Cosmopolitan Share of HK\$0.18 as at 31 December 2019 as disclosed in Cosmopolitan’s final results announcement for the year ended 31 December 2019). However, there will be no impact on the consolidated statement of comprehensive income of Century City as a result of the implementation of the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer as Cosmopolitan will remain a subsidiary of Century City after completion thereof. The financial statements of Cosmopolitan will continue to be consolidated with the financial statements of Century City after completion of the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer.



## LETTER FROM THE BOARD

### EFFECT ON SHAREHOLDING STRUCTURE OF COSMOPOLITAN

For illustrative purpose only, the following table sets out the shareholding structure of Cosmopolitan (a) as at the Latest Practicable Date (including completion of the First Cosmo Shares Transfer); (b) assuming conversion of 50,000,000 Cosmopolitan CPSs into 50,000,000 Cosmopolitan Shares before completion of the Second Cosmo Shares Transfer; and (c) immediately after completion of the Second Cosmo Shares Transfer (assuming there is no other change in the shareholding structure of Cosmopolitan before completion of the Second Cosmo Shares Transfer):

	As at the Latest Practicable Date (including completion of the First Cosmo Shares Transfer)		Assuming conversion of 50,000,000 Cosmopolitan CPSs into 50,000,000 Cosmopolitan Shares before completion of the Second Cosmo Shares Transfer		Immediately after completion of the Second Cosmo Shares Transfer	
	Number of Cosmopolitan Shares	%	Number of Cosmopolitan Shares	%	Number of Cosmopolitan Shares	%
<b>Cosmopolitan Shareholders</b>						
P&R Group ( <i>note</i> )	2,552,316,716	57.83	2,602,316,716	58.30	2,233,996,716	50.05
Regal Group	531,858,000	12.04	531,858,000	11.91	531,858,000	11.91
Sub-total	3,084,174,716	69.87	3,134,174,716	70.21	2,765,854,716	61.96
Cosmopolitan Directors	3,649,101	0.08	3,649,101	0.08	3,649,101	0.08
Second Cosmo Shares Purchaser	–	–	–	–	368,320,000	8.25
Other shareholders (including First Cosmo Shares Purchaser)	1,326,102,555	30.05	1,326,102,555	29.71	1,326,102,555	29.71
<b>Total</b>	<u>4,413,926,372</u>	<u>100.00</u>	<u>4,463,926,372</u>	<u>100.00</u>	<u>4,463,926,372</u>	<u>100.00</u>

*Note:* P&R Group intends to convert certain amount of its Cosmopolitan CPSs into Cosmopolitan Shares prior to completion of the Second Cosmo Shares Transfer so as to maintain its then shareholding in Cosmopolitan Shares at more than 50% immediately before completion of the Second Cosmo Shares Transfer.

### FINANCIAL EFFECT OF AMTD I ACQUISITION, AMTD II ACQUISITION AND AMTD III ACQUISITION

AMTD will not become a subsidiary of Century City and its financial statements will not be consolidated into that of Century City upon completion of the AMTD I Acquisition, the AMTD II Acquisition and the AMTD III Acquisition. The investment in AMTD Class A Shares will be recognised as equity investment designated at fair value through other comprehensive income, and the subsequent gain or loss arising from such investment will be accounted for in other comprehensive income in the consolidated financial statements of Century City.

### EFFECT ON SHAREHOLDING STRUCTURE OF AMTD

For illustrative purpose only, the following table sets out the shareholding structure of AMTD (a) as at the Latest Practicable Date (including completion of the AMTD I Acquisition); and (b) immediately after completion of the AMTD II Acquisition; and (c) immediately after completion of AMTD II Acquisition and the AMTD III Acquisition (assuming there is no other change in the shareholding structure of AMTD before completion of the AMTD II Acquisition and the AMTD III Acquisition):

## LETTER FROM THE BOARD

	As at the Latest Practicable Date (including completion of AMTD I Acquisition)		Immediately after completion of AMTD II Acquisition		Immediately after completion of the AMTD II Acquisition and the AMTD III Acquisition	
	Number of AMTD Shares	Approximate percentage by class of AMTD Shares (%)	Number of AMTD Shares	Approximate percentage by class of AMTD Shares (%)	Number of AMTD Shares	Approximate percentage by class of AMTD Shares (%)
<b>Shareholders of AMTD</b>						
<b>AMTD Class A Shares</b>						
Regal Group	461,538	1.0%	461,538	0.9%	461,538	0.7%
P&R Group (excluding Cosmopolitan Group)	5,674,000	12.1%	5,674,000	10.7%	15,174,000	24.3%
Cosmopolitan Group	–	–	6,069,000	11.5%	6,069,000	9.7%
Other shareholders	6,135,538	13.1%	12,204,538	23.1%	21,704,538	34.8%
Sub-total	46,758,851	100.0%	40,623,313	76.9%	40,623,313	65.2%
Sub-total	46,758,851	100.0%	52,827,851	100.0%	62,327,851	100.0%
Holder of AMTD Class B shares	198,852,628	100.0%	192,783,628	100.0%	183,283,628	100.0%
<b>Total</b>	<b>245,611,479</b>	<b>100.0%</b>	<b>245,611,479</b>	<b>100.0%</b>	<b>245,611,479</b>	<b>100.0%</b>

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT OF THE TRANSACTIONS

Set out in Appendix VI to this circular is the “Unaudited Pro Forma Financial Information of the Century City Group” for the pro forma effect of the Transactions on the Century City Group and the basis of preparation thereon.

#### Assets and liabilities

As set out in the unaudited pro forma financial information on Century City as set out in Appendix VI to this circular, assuming that completion of the Shares Related Transaction, the CIDL Related Transactions and the AMTD III Share Swap had taken place on 31 December 2019, the total assets of Century City Group would have increased from approximately HK\$46,903.6 million to approximately HK\$47,873.4 million, the total liabilities of Century City Group would have decreased from approximately HK\$25,073.9 million to approximately HK\$25,044.2 million and the net assets of Century City Group would have increased from approximately HK\$21,829.7 million to approximately HK\$22,829.2 million as a result of the implementation of the Shares Related Transaction, the CIDL Related Transactions and the AMTD III Share Swap. Further details of the unaudited pro forma financial information of Century City Group are set out in Appendix VI to this circular.

#### Earnings

For the year ended 31 December 2019, the Century City Group recorded a net profit before non-controlling interests of approximately HK\$326.0 million. Based on the unaudited pro forma financial information on Century City as set out in Appendix VI to this circular, assuming completion of the Transactions had taken place on 1 January 2019, the unaudited pro forma consolidated net profit before non-controlling interests of the Century City Group for the year ended 31 December 2019 would have been approximately HK\$272.6 million.

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## LETTER FROM THE BOARD

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### V. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors consider that the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer would allow Cosmopolitan to enlarge its shareholders' base and to introduce the First Cosmo Shares Purchaser and the Second Cosmo Shares Purchaser as its new strategic investor, and consequentially, would potentially enhance the underlying embedded liquidity of the Cosmopolitan Shares as a whole.

The principal assets of CIDL Group comprise the CIDL Subsidiary Deposits, CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility, which are not related to the core business activity of the Cosmopolitan Group. After discontinuance of negotiations with a potential purchaser in respect of the entire interests in CIDL as set out in the announcement of Cosmopolitan dated 20 December 2019, Cosmopolitan had actively explored other opportunities for the divestment of its interests in CIDL relating to the logistic business. The Directors consider that the successful implementation of the CIDL Related Transactions would therefore allow Cosmopolitan Group to successfully monetize the funds tied up in this non-core assets for re-deployment in AMTD.

The proceeds generated or to be generated under the First Cosmo Shares Transfer, the Second Cosmo Shares Transfer and the CIDL Disposal, have been and will be deployed for the AMTD Shares Acquisition, and taking into account the Regal Group's interests in 461,538 AMTD Class A Shares, is expected to result in the Century City Group (including the P&R Group, the Regal Group and the Cosmopolitan Group) holding, in aggregate, approximately (a) 8.8% of the total issued share capital of AMTD, (b) 0.6% of the total voting power represented by the total issued share capital of AMTD; and (c) 34.8% of the AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and the AMTD III Acquisition were completed as at the Latest Practicable Date. The Directors are of the view that the transactions contemplated under the AMTD III Acquisition Agreement will strengthen the long-term strategic relationship between AMTD and the Century City Group. As AMTD is a listed financial services platform which is well-positioned to capitalise on merchant banking opportunities emanating from the Asian Pacific region, the Century City Group could benefit from AMTD's expertise in the financial industry. Cosmopolitan is seeking to expand and diversify its investment portfolio through this strategic co-operative relationship with AMTD. It is expected that AMTD will be able to help in the capitalisation plan of Century City Group and could also introduce potential investment opportunities to Century City Group to expand and diversify its investment portfolio. As at the Latest Practicable Date, there was no negotiation, agreement or understanding between Century City and AMTD in relation to the capitalisation plan of Century City or the introduction of the potential investment opportunities to Century City Group.

The AMTD III Shares Swap also provides an opportunity for Century City Group to re-allocate its existing resources for deployment in AMTD without affecting its controlling position in Cosmopolitan and cash position.

Based on the agreed value of the Hotel at HK\$1,200.0 million, Century City Group has recorded a gain (before tax and non-controlling interests) of approximately HK\$491.4 million as a result of the Hotel Interests Disposal. Upon the Hotel Interests Disposal Completion, such gain on disposal has been recorded in the consolidated financial statements of Century City for the year ended 31 December 2019. Century City Group could further strengthen its cash position and lessen liabilities through the implementation of the Hotel Related Transactions.

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## LETTER FROM THE BOARD

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By taking into consideration the abovementioned factors, the Directors are of the view that the implementation of the Transactions, either individually or together, are in the interests of Century City and the Century City Shareholders as a whole.

### VI. LISTING RULES IMPLICATIONS

#### A. THE SHARES RELATED TRANSACTIONS

##### THE FIRST COSMO SHARES TRANSFER

The First Cosmo Shares Transfer is a notifiable transaction for Century City under Chapter 14 of the Listing Rules since the First Cosmo Shares Vendor is a subsidiary of Century City.

As the highest applicable percentage ratio for Century City in respect of the First Cosmo Shares Transfer is more than 5% but are less than 25%, the First Cosmo Shares Transfer constitutes a discloseable transaction for Century City and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

##### AMTD I ACQUISITION

The AMTD I Acquisition is a notifiable transaction for Century City under Chapter 14 of the Listing Rules since P&R Finance is a subsidiary of Century City.

As the highest applicable percentage ratio in respect of the AMTD I Acquisition is more than 25% but is less than 100% for Century City, the transaction contemplated under the AMTD I Acquisition constitutes a major transaction for Century City and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

#### B. THE CIDL RELATED TRANSACTIONS

##### CIDL DISPOSAL

The CIDL Disposal is a notifiable transaction for Century City under Chapter 14 of the Listing Rules since CIDL Seller is a subsidiary of Century City.

As the highest applicable percentage ratio for Century City in respect of the CIDL Disposal is more than 5% but is less than 25%, the CIDL Disposal constitutes a discloseable transaction for Century City and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

##### AMTD II ACQUISITION

AMTD II Acquisition is a notifiable transaction for Century City under Chapter 14 of the Listing Rules since the AMTD II Purchaser is a subsidiary of Century City.

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## LETTER FROM THE BOARD

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As the highest applicable percentage ratio for Century City in respect of the AMTD II Acquisition is more than 25% but is less than 100%, the AMTD II Acquisition constitutes a major transaction for Century City which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### C. THE HOTEL RELATED TRANSACTIONS

#### HOTEL INTERESTS DISPOSAL

The Hotel Interests Disposal (including the Hotel Call Option but excluding the Hotel Put Option) is a notifiable transaction for Century City under Chapter 14 of the Listing Rules since P&R is a subsidiary of Century City.

As the highest applicable percentage ratio for Century City in respect of the Hotel Interests Disposal (including the Hotel Call Option but excluding the Hotel Put Option) is more than 5% but is less than 25%, the Hotel Interests Disposal constitutes a discloseable transaction for Century City and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### HOTEL FINANCIAL ASSISTANCE

The provision of Hotel Financial Assistance is a notifiable transaction for Century City under Chapter 14 of the Listing Rules since P&R as the lender of the Top Up Loan is a subsidiary of Century City, and Paliburg and Regal as guarantors of the Guarantees are subsidiaries of Century City.

As the highest applicable percentage ratio for Century City in respect of the Hotel Financial Assistance is more than 25% but is less than 100%, the Hotel Financial Assistance constitutes a major transaction for Century City and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### D. THE AMTD III SHARE SWAP

#### THE SECOND COSMO SHARES TRANSFER

The Second Cosmo Shares Transfer is a notifiable transaction for Century City under Chapter 14 of the Listing Rules since the Second Cosmo Shares Vendor is a subsidiary of Century City.

As the highest applicable percentage ratio for Century City in respect of the Second Cosmo Shares Transfer is more than 25% but is less than 75%, the Second Cosmo Shares Transfer constitutes a major transaction for Century City and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

#### AMTD III ACQUISITION

The AMTD III Acquisition is a notifiable transaction for Century City under Chapter 14 of the Listing Rules since P&R Finance is a subsidiary of Century City.

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## LETTER FROM THE BOARD

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As the highest applicable percentage ratio in respect of the AMTD III Acquisition is more than 25% but is less than 100% for Century City, the transaction contemplated under the AMTD III Acquisition constitutes a major transaction for Century City and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### E. AGGREGATION

As disclosed in the First Joint Announcement, when the Shares Related Transactions, the CIDL Related Transactions and the Hotel Related Transactions are taken as a whole for the purpose of calculating the applicable percentage ratios, the highest applicable percentage ratio for Century City in respect of (a) the AMTD I Acquisition, the AMTD II Acquisition and the Hotel Financial Assistance in aggregate is more than 25% but is less than 100%; and (b) the First Cosmo Shares Transfer, the CIDL Disposal and the Hotel Interests Disposal in aggregate is more than 25% but is less than 75%. Accordingly, the Shares Related Transactions, the CIDL Related Transactions and the Hotel Related Transactions constitute major transactions for Century City and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As disclosed in the Second Joint Announcement, when the Transactions are taken as a whole for the purpose of calculating the applicable percentage ratios, the highest applicable percentage ratio for Century City in respect of (a) the AMTD Shares Acquisition and the Hotel Financial Assistance in aggregate is more than 100%; and (b) the First Cosmo Shares Transfer, the Second Cosmo Shares Transfer, the CIDL Disposal and the Hotel Interests Disposal in aggregate is more than 75%. Accordingly, the AMTD III Share Swap constitutes a very substantial acquisition and a very substantial disposal for Century City and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### VI. GENERAL

Century City has obtained written approval for the Shares Related Transactions, the CIDL Related Transactions and the Hotel Related Transactions on 31 December 2019 from its closely allied group of Century City Shareholders who in aggregate held approximately 58.7% of the issued share capital of Century City as at 31 December 2019. The closely allied group of Century City Shareholders comprised Mr. Lo Yuk Sui himself, who personally owned approximately 3.5% of the issued share capital of Century City as at 31 December 2019, and companies wholly or majority owned and controlled by Mr. Lo Yuk Sui consisting of (a) Grand Modern Investments Limited which owned approximately 50.9% of the issued share capital of Century City, (b) Fook Island Limited which owned approximately 0.1% of the issued share capital of Century City, (c) Master City Limited which owned approximately 1.5% of the issued share capital of Century City, (d) Shui To Co., Limited which owned approximately 2.1% of the issued share capital of Century City, and (e) YSL International Holdings Limited which owned approximately 0.6% of the issued share capital of Century City as at 31 December 2019.

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## LETTER FROM THE BOARD

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The SGM will be held for the Century City Shareholders to consider and, if thought fit, approve the AMTD III Share Swap comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition. The purpose of this circular is to provide the Century City Shareholders with, among others, (a) further information in relation to the Transactions; (b) a notice of the SGM to Century City Shareholders to consider and, if thought fit, to approve the ordinary resolutions in relation to the AMTD III Share Swap comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition.

A notice convening the SGM to be held at Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 24 April 2020 at 11:00 a.m. at which the ordinary resolutions in respect of the AMTD III Share Swap is set out on pages N-1 to N-2 of this circular.

In accordance with Rule 13.39(4) of the Listing Rules, the voting of Century City Shareholders at the SGM will be taken by poll. The results of the poll will be published on the websites of Century City and the Stock Exchange.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you propose to attend and vote at the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Century City's branch registrar in Hong Kong, Tricor Tengis Limited at Level 54, 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 the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjournment thereof, should you so wish.

**Century City Shareholders and potential investors of Century City should be aware that the CIDL Disposal is pending completion and the AMTD II Acquisition and the AMTD III Share Swap comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition are subject to certain conditions being satisfied and accordingly, they may or may not proceed. Century City Shareholders and potential investors of Century City are advised to exercise caution when dealing in the securities of Century City.**

### **VII. WAIVERS FROM COMPLIANCE WITH RULES 14.69(4)(a)(i) AND 14.69(7) OF THE LISTING RULES**

Pursuant to Rules 14.69(4)(a)(i) of the Listing Rules, Century City is required to include in its circular an accountants' report on the business, company or companies being acquired for each of the three financial years immediately preceding the issue of the circular in accordance with the requirements under the relevant Listing Rules.

Pursuant to Rules 14.69(7) of the Listing Rules, Century City is required to include in its circular a discussion and analysis of, among others, results of the business, company or companies being acquired in accordance with the requirements under the relevant Listing Rules.



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## LETTER FROM THE BOARD

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The Directors consider that it would be impracticable for Century City to strictly comply with the abovementioned requirements in respect of an accountants' report and a discussion and analysis of AMTD in accordance with the requirements under the relevant Listing Rules for the following reasons:

- (a) Century City will not have control or significant influence over AMTD and its subsidiaries and AMTD will not become a subsidiary of Century City upon completion of the AMTD Shares Acquisition;
- (b) AMTD is a public company with its ADSs listed on the New York Stock Exchange and any dissemination of information by AMTD is governed by, among others, the rules and regulations of the New York Stock Exchange; and
- (c) AMTD is not a party to the AMTD Shares Acquisition and it has no contractual obligation to assist Century City to comply with the requirements under the Listing Rules.

Despite the impracticability as abovementioned, in order to provide relevant information for the Century City Shareholders to make a properly informed assessment on the Transactions, Century City reproduced in this circular the following information (collectively, the “**Relevant Financial Information**”), which was published on the website of the Securities and Exchange Commission in the United States by AMTD, as alternative disclosure to those required under the relevant Listing Rules:

- (a) the audited financial statements of AMTD prepared in accordance with IFRS for the two financial years ended 31 December 2018 as disclosed in the AMTD Prospectus;
- (b) the discussion and analysis by the management of AMTD on its financial results for the two financial years ended 31 December 2018 as disclosed in the AMTD Prospectus;
- (c) the unaudited condensed financial statements of AMTD for the nine months ended 30 September 2019, being the latest published financial information of AMTD; and
- (d) the discussion and analysis by the management of AMTD on its financial results for the nine months ended 30 September 2019.

The Directors consider that the Relevant Financial Information will provide the Century City Shareholders with sufficient information necessary for assessing the financial performance and standing of AMTD and such information shall be broadly commensurate with the disclosure that would otherwise have been provided if separate accountants' report on AMTD was produced in accordance with the requirements under the relevant Listing Rules.

Accordingly, Century City applied to the Stock Exchange for, and the Stock Exchange granted, a waiver from strict compliance with Rules 14.69(4)(a)(i) and 14.69(7) of the Listing Rules such that Century City is not required to include an accountants' report on and a discussion and analysis of AMTD in this circular.

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## LETTER FROM THE BOARD

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### VIII. RECOMMENDATION

The Directors consider that the terms of the Transactions and the transactions contemplated thereunder are fair and reasonable and are in the interests of Century City and the Century City Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the ordinary resolutions in respect of the AMTD III Share Swap comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition as set out in the notice of the SGM.

### IX. ADDITIONAL INFORMATION

Your attention is 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*

**1. FINANCIAL INFORMATION**

The financial information of Century City Group for the year ended 31 December 2017 and 31 December 2018 and 31 December 2019 was disclosed in the annual reports of Century City for the two years ended 31 December 2017 and 31 December 2018 and the final results announcement of Century City for the year ended 31 December 2019, respectively. The aforementioned financial information of Century City Group has been published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of Century City (<http://www.centurycity.com.hk>). Please refer to the hyperlinks as stated below:

- (i) Annual report of Century City for the year ended 31 December 2017 (pages 66 to 194):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271947.pdf>
- (ii) Annual report of Century City for the year ended 31 December 2018 (pages 65 to 210):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292069.pdf>
- (iii) Final results announcement of Century City for the year ended 31 December 2019 (pages 26 to 48):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0326/2020032601815.pdf>

**2. INDEBTEDNESS**

As at the close of business on 29 February 2020, being the latest practicable date for the purpose of this statement of indebtedness, Century City Group had outstanding borrowings of approximately HK\$20,771.1 million which represented (i) bank loans of approximately HK\$17,981.2 million secured and guaranteed by certain of Century City Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances, with an aggregate net book value of approximately HK\$34,193.9 million as at 31 December 2019, (ii) unsecured notes of US\$350.0 million (approximately HK\$2,728.4 million) issued under a US\$1,000 million medium term note programme of Regal, and (iii) lease liabilities of HK\$61.5 million.

All of the above outstanding borrowings except lease liabilities of Century City Group were guaranteed by Century City or certain of Century City's subsidiaries.

As at 29 February 2020, the Century City Group had contingent liabilities for corporate guarantee provided in respect of a banking facility granted to an associate in the amount of HK\$357.2 million which was fully utilised. In addition, guarantees were given to certain banks by Century City Group for demand and performance bonds issued by the banks in relation to certain property development projects amounting to HK\$22.9 million as at 29 February 2020.

Moreover, the Cosmopolitan Group also provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB360.2 million (HK\$402.3 million) as at 29 February 2020.

Save as disclosed above and apart from intra-group liabilities, Century City Group did not have, at the close of business on 29 February 2020, 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.

### **3. WORKING CAPITAL**

The Directors are of the opinion that, upon completion of the Transactions and taking into account the internal resources and the present banking facilities available to Century City Group, Century City 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.

### **4. MATERIAL ADVERSE CHANGE**

Save as disclosed in this circular, up to and including the Latest Practicable Date, the Directors have not been aware of any material adverse change in the financial or trading position of Century City Group since 31 December 2018, being the date to which the latest published audited financial statements of Century City Group were made up to.

### **5. FINANCIAL AND TRADING PROSPECTS OF CENTURY CITY GROUP**

Century City Group comprises a total of five listed entities in Hong Kong, with Century City acting as the ultimate holding company of Century City Group. As at the Latest Practicable Date, Century City held approximately 62.3% shareholding in Paliburg and the core hotel and property businesses of Century City Group are conducted through various subsidiaries of Paliburg.

Regal, a listed subsidiary held as to approximately 69.3% by Paliburg as at the Latest Practicable Date, primarily undertakes Century City Group's hotel businesses. Apart from engaging in hotel operating and management businesses, Regal also owns a significant portfolio of diversified business interests and held approximately 74.6% of the outstanding units of Regal REIT, a listed subsidiary of Regal which presently owns all the nine operating Regal and iclub hotels in Hong Kong.

Century City Group's property development businesses are principally conducted through P&R, a joint venture 50:50 owned by each of Paliburg and Regal. As Regal is a subsidiary of Century City, P&R is effectively also a subsidiary of Century City. As at the Latest Practicable Date, P&R also held an effective controlling shareholding interest of approximately 72.5% in Cosmopolitan (comprising interests in its ordinary shares and convertible preference shares) and, in addition, the convertible bonds issued by the Cosmopolitan Group. Cosmopolitan is consequently also a listed member of Century City Group, which primarily undertakes property development and other investment businesses in the PRC. Further information on the prospects of the members of Century City Group is set out below.

**The Paliburg Group**

The real estate market in Hong Kong in the recent few months as a whole has been relatively quiet due to the measures taken to suppress the spread of the coronavirus, though the primary sale of new residential units still received favourable response. Market activities should gradually revive when the pandemic is over and the investor confidence is restored. Having regard to the anticipated continuing shortage in the supply of private housing development lands and the strong underlying demand, the outlook for the residential property market in Hong Kong remains positive. Despite the increased volatility in the global markets recently, the Paliburg Group is confident that the various development projects currently undertaken in Hong Kong and the PRC will be able to contribute significant profits and cash flows in the coming few years, thus assuring continuing prospects for the Paliburg Group amid a difficult and challenging environment.

**The Regal Group**

The outbreak of the novel coronavirus in recent months is causing severe disruption to overall business activities, consumer spending as well as the global supply chains. The economic growth in China is expected to further moderate, due to the slowdown in its labour productivity growth and external headwinds. In the wake of added uncertainties, the central government of China has devised and implemented many supportive measures to bolster its economy, including cutting taxes, lowering interest rates and increasing public investment spending.

In Hong Kong, the businesses in the consumer and tourism related sectors during the first few months of this year remained hard hit by the economic downturn and the coronavirus pandemic, with rising unemployment rates being recorded for these market sectors. Apart from the internal social problems yet to be resolved, the spread of the coronavirus and the potential trade tensions between China and the United States could well continue to affect the global economy and financial markets and adversely impact Hong Kong's economic performance. With a view to easing the economic slowdown and rising unemployment, the Hong Kong government has proposed a number of initiatives to assist businesses and to boost consumer spending.

With the recent outbreak of the coronavirus pandemic in over one hundred countries worldwide, the social and business activities around the world as well as cross-border traffic have been drastically affected, the Regal Group has taken prompt measures to streamline its operating structure and to cut down its operating costs. Unless the further spread of the coronavirus can be promptly contained, business outlook for 2020 would not be optimistic.

Looking into the longer term, as a key business services and logistics hub in the Asian Pacific region, Hong Kong is still well placed to benefit from the tremendous business opportunities available under the "Belt and Road" initiative, the RMB internationalisation and the development of the Guangdong-Hong Kong-Macao Greater Bay Area. When the coronavirus pandemic is over and the social unrest in Hong Kong gradually subsides, the economy of Hong Kong should be resilient enough to rebound and to regain its growth momentum. The Regal Group will continue to prudently manage its resources, so as to well-position itself to sail through the present challenges and to benefit from business opportunities that might become available when the economy revives.

**The Cosmopolitan Group**

The outbreak of the novel coronavirus in recent months is causing severe disruption to overall business activities, consumer spending as well as the global supply chains. The economic growth in China is expected to further moderate, due to the slowdown in its labour productivity growth and external headwinds. In the wake of added uncertainties, the central government of China has devised and implemented many supportive measures to bolster its economy, including cutting taxes, lowering interest rates and increasing public investment spending. The real estate market in China practically came to a halt during the last few months due to the various measures taken to restrain the spread of the coronavirus, but it is expected that market activities should gradually revive from the second quarter of this year when the virus spread is under control.

Up to the Latest Practicable Date, the aggregate sale prices under the contracted presales of the residential units in the third stage of the Regal Cosmopolitan City development project in Chengdu totalled approximately RMB1,229 million (HK\$1,337 million), of which approximately RMB937 million (HK\$1,019 million) has already been paid to the Cosmopolitan Group as deposits under the presale contracts. While the presale of the unsold units in the first seven residential towers in the third stage of the Regal Cosmopolitan City in Chengdu is continuing, the presale programmes for the remaining three residential towers as well as the units in one of the office towers in this same development will follow to be launched later this year. Before the end of this year, the presale of the units in one of the office towers in the Regal Renaissance in Tianjin is also planned to be commenced. When these projects are gradually completed and the units handed over to the purchasers, substantial profits and cash flows will be contributed to the Cosmopolitan Group over the course of the next few years.

**General**

As set out in the final results announcement of Century City for the year ended 31 December 2019, having regard to the recent volatilities in the global financial markets, the outlook for the current year is undoubtedly overshadowed by uncertainties. However, the Century City Group as a whole has built up a strong and balanced portfolio of assets and businesses over the past years and is well-prepared to overcome the challenges ahead.

## 1. MANAGEMENT DISCUSSION AND ANALYSIS ON CENTURY CITY GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

Set out below is the management discussion and analysis on Century City Group mainly extracted from the final results announcement of Century City for the year ended 31 December 2019 (the “**2019 Final Results Announcement**”).

### 1.1 FINANCIAL RESULTS

For the year ended 31 December, 2019, Century City Group achieved consolidated profit attributable to shareholders of HK\$174.9 million, which was marginally above the profit of HK\$174.8 million attained in the preceding year.

During the year of 2019, Century City Group on the whole was able to maintain steady performance. Gross profit from business operations, including those from all of its subsidiary undertakings, amounted to HK\$1,302.9 million (2018 – HK\$2,016.6 million). Taking into account the gains derived from financial assets and the disposal of 50% interests in a hotel development in Hong Kong, operating profit before depreciation and amortisation of Century City Group for the year ended 31 December 2019 amounted to HK\$1,571.9 million (2018 – HK\$1,580.3 million). As Century City Group’s operating hotel properties in Hong Kong are owned and operated within Century City Group, they are classified in Century City Group’s consolidated financial statements as property, plant and equipment and right-of-use assets, and are subject to depreciation to conform to applicable accounting standards. Accordingly, depreciation charges in an aggregate amount of HK\$567.9 million have been provided on such hotel properties in the financial year ended 31 December 2019 (2018 – HK\$543.7 million), which, although having no impact on cash flow, have nevertheless affected the overall reported profits.

### 1.2 BUSINESS OVERVIEW

Century City Group comprises a total of five listed entities in Hong Kong, with Century City acting as the ultimate holding company of Century City Group.

As at 31 December 2019, Century City held approximately 62.3% shareholding in Paliburg and the core hotel and property businesses of Century City Group are conducted through various subsidiaries of Paliburg. Regal, a listed subsidiary approximately 69.3% held by Paliburg as at 31 December 2019, primarily undertakes Century City Group’s hotel businesses. Apart from engaging in hotel operating and management businesses, Regal also owns a significant portfolio of diversified business interests and held approximately 74.6% of the outstanding units of Regal REIT, a listed subsidiary of Regal which presently owns nine Regal and iclub hotels operating in Hong Kong.

Century City Group’s property development businesses are principally conducted through P&R. As Regal is a subsidiary of Century City, P&R is effectively also a subsidiary of Century City. As at 31 December 2019, P&R also held an effective controlling shareholding interest of approximately 75.7% in Cosmopolitan (comprising interests in its Cosmopolitan Shares and Cosmopolitan CPSs) and, in addition, the convertible bonds issued by the Cosmopolitan Group. Cosmopolitan is consequently also a listed member of Century City Group, which is principally undertaking property development and investment in the PRC and other investment businesses.

Century City Group currently owns, through its wholly owned subsidiaries, a Boeing B737-800F freighter aircraft on finance lease to a logistics operator, which is generating steady income. In addition, the Regal Group also owns at present a fleet of 3 passenger aircraft which are all on operating leases. Century City Group still holds a reasonably positive view in the long-term growth of the global aviation industry, despite the recent impact caused by the outbreak of the coronavirus.

In the First Joint Announcement, a wholly-owned subsidiary of P&R, as seller, entered into an agreement with the First Cosmo Shares Purchaser on 31 December 2019 for the sale of 220,000,000 issued Cosmopolitan Shares at a price of HK\$1.70 per Cosmopolitan Share, for a total consideration of HK\$374.0 million. At the same time, P&R Finance, another wholly-owned subsidiary of P&R, as buyer, entered into the AMTD I Acquisition Agreement with the AMTD Shares Vendor for the purchase of 5,674,000 AMTD Class A Shares at a price of US\$8.45 per share, for a total consideration of US\$47.9 million (equivalent to approximately HK\$374.0 million). The ADS, into which the AMTD Class A Shares can be converted, are listed on the New York Stock Exchange. Both transactions were completed on 10 January 2020 and the proceeds received from the First Cosmo Shares Transfer have been applied to the purchase of AMTD I Shares under the AMTD I Acquisition.

As also disclosed in the First Joint Announcement, Cosmopolitan Group entered into the CIDL Disposal Agreement on 31 December 2019 with the CIDL Purchaser for the disposal of CIDL Share and CIDL Loan, and the proceeds to be received from the CIDL Disposal are also intended to be applied for the acquisition of AMTD II Shares under the AMTD II Acquisition. Further detail of this transaction are contained in the “Letter from the Board” in this circular.

Subsequently, on 24 January 2020, the P&R Group, as seller, entered into the Second Cosmo Share Transfer Agreement with the Second Cosmo Shares Purchaser for the further disposal of a total of 368,320,000 Cosmopolitan Shares at the same price of HK\$1.70 per Cosmopolitan Share, for a total consideration of approximately HK\$626.1 million. On the same date, P&R Finance, as buyer, also entered into the AMTD III Acquisition Agreement with AMTD Shares Vendor for the purchase of additional 9,500,000 AMTD Class A Shares at a price of US\$8.45 per share, for a total consideration of US\$80.3 million (equivalent to approximately HK\$626.1 million). The proposed transactions constitute a very substantial acquisition and a very substantial disposal for the Century City under the Listing Rules.

The selling price of HK\$1.70 per Cosmopolitan Share is well above the carrying cost of such shares in the book of Century City Group. However, as Cosmopolitan will remain as a subsidiary of Century City Group, even if the proposed further disposal of the Cosmopolitan Shares is completed, there will be no impact on the profit or loss or on the consolidated statement of comprehensive income of Century City but will serve to enhance the underlying net asset value of Century City’s shares as a result of such disposals.

If all these transactions are duly completed, P&R Group (including Cosmopolitan Group) will come to hold 21,243,000 AMTD Class A Shares, representing 8.6% of the total outstanding share capital of AMTD, and AMTD Shares Vendor and its subsidiaries will come to hold approximately 8.3% of the existing Cosmopolitan Shares. Century City Group believes that the long-term strategic



relationship with AMTD will allow the Century City Group to capitalise on the investment banking capabilities of AMTD under its financial services platform while, on the other hand, the introduction of AMTD Shares Vendor as a new strategic investor of Cosmopolitan could potentially enhance the underlying embedded liquidity of the Cosmopolitan Shares as a whole.

Century City Group effectively owns an aggregate of 48% interest (comprising 36% held by the Regal Group and 12% held through wholly owned subsidiaries of Century City) in Century Innovative Technology group (CIT), an edutainment company principally engaged in the production of education and entertainment multimedia content, products and services.

Up to the Latest Practicable Date, CIT has developed over 2,000 minutes of award-winning 3D animated content based on its flagship brand, *Bodhi and Friends*, which commanded high viewership ratings in different television channels in the PRC, Hong Kong and Southeast Asia. In further testament of the brand's growing popularity, *Bodhi and Friends* was one of the first Chinese brands licensed by Minecraft, one of the world's bestselling video games with over 180 million copies sold.

As part of the expansion of an educational IP, CIT partnered with a video content creator in China and produced more than 800 minutes of Chinese language learning and emotional intelligence courses in 2019, which garnered over 126,000 followers on Wechat.

To foster holistic development in school education and meet the growing demand for quality international education, CIT is collaborating with leading international educational institutions to offer quality education in China.

Management is confident that the expanding portfolio of high-quality educational content, products and services in collaboration with its world-class partners will help elevate CIT to become one of the China's foremost educational providers.

The operational performance and business review of Paliburg, Regal, Regal REIT and Cosmopolitan for the year 2019 are set out below.

### 1.2.1 PALIBURG

For the year ended 31 December, 2019, Paliburg achieved consolidated profit attributable to shareholders of HK\$282.6 million, which was approximately 12.0% below the profit of HK\$321.0 million attained in the preceding year.

Gross profit from business operations, including those from all of its subsidiary undertakings, amounted to HK\$1,294.2 million, as compared to HK\$2,002.1 million in 2018. Operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK\$1,545.3 million, which was slightly lower than the corresponding amount of HK\$1,603.0 million in the preceding year. As Paliburg Group's hotel properties in Hong Kong are all owned and operated within Paliburg Group, they are classified in Paliburg Group's consolidated financial statements as property, plant and equipment and right-of-use assets, and are subject to depreciation charges to conform to

applicable accounting standards. Accordingly, depreciation charges in the amount of HK\$567.9 million have been provided on these hotel properties for the year (2018 – HK\$543.7 million) which, although having no impact on Paliburg Group's cash flow, have nevertheless affected the reported results.

Affected by the local social unrest, the property market in Hong Kong has slowed down notably in the second half of the year ended 31 December 2019. However, apart from the retail property sector that was affected most badly, the adjustments to the property prices in the other sectors have been relatively moderate. As the property market was comparatively active in the first few months of 2019, total transaction volume of residential properties in 2019 still surpassed the level in the prior year, reflecting the strong underlying demand for residential accommodation in Hong Kong.

The property development and investment business of the Paliburg Group is principally undertaken through P&R and, at appropriate times, by Regal.

Mount Regalia in Kau To, Sha Tin is a major residential project developed by P&R, which comprises a total of 24 garden houses, 136 apartment units together with car parks and club house facilities. The sale programme commenced in early 2019 and, up to the Latest Practicable Date, 2 houses and 18 apartment units have been contracted to be sold at relatively attractive prices as compared to the development costs. Among these contracted sales, 2 houses and 3 apartment units have already been completed and the properties delivered to the buyers.

As also disclosed in the First Joint Announcement, P&R Group entered into the Hotel Interests Disposal Agreement with a wholly owned subsidiary of AMTD Shares Vendor on 31 December, 2019 for the sale of 50% equity interests in the entities that own the iclub Sheung Wan II hotel located in Sheung Wan, Hong Kong, with the sale consideration based on an agreed value of HK\$1,200.0 million for the hotel property. The hotel is a select-service hotel with 98 guestrooms and suites (totally 162 room bays) and was developed by P&R. The occupation permit for the hotel was issued in November 2019 and the hotel licence is expected to be obtained shortly. The sale agreement has been completed on 31 December 2019 following the signing of the sale agreement and the profit derived from this disposal already reflected in the results of the Paliburg Group for the year ended 31 December 2019.

Apart from the We Go MALL in Ma On Shan, Sha Tin that is being retained as an investment property for rental income, P&R Group is also self-operating the iclub Mong Kok Hotel in Tai Kok Tsui, a 288-room hotel that was soft opened for business in March 2019, with the hotel management undertaken by the Regal Group.

In the meantime, P&R is also developing two commercial/residential projects in Hong Kong. One is located at Kam Wa Street in Shau Kei Wan, the development works for which have been progressing steadily, and the other at Castle Peak Road in Cheung Sha Wan, which is still at development planning stage.

### 1.2.2 REGAL

For the year ended 31 December, 2019, Regal achieved a consolidated profit attributable to shareholders of HK\$454.6 million, as compared to the profit of HK\$547.7 million recorded in the preceding year.

Although Regal Group attained satisfactory operating results in the first half of 2019, the local social unrest since June 2019 has drastically affected its core hotel business. Despite the decline in the profit contribution from the hotel operating business was to certain extent compensated by the increased disposal profits and fair value gains derived from the portfolio of financial assets, the Regal Group's consolidated profit attributable to shareholders for the year 2019 has dropped by approximately 17% as compared with the results in 2018. Gross profit from business operations for the year ended 31 December 2019 amounted to HK\$1,015.7 million (2018 – HK\$1,213.7 million). Operating profit before depreciation, finance costs and tax for the year was HK\$1,318.9 million (2018 – HK\$1,327.4 million). As the Regal Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of Regal, they are subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on Regal Group's hotel portfolio in Hong Kong for the year ended 31 December 2019 amounted to HK\$484.7 million (2018 – HK\$479.9 million) which, although not affecting cash flow, have nevertheless impacted the reported profit.

#### Hotel market overview

Based on a recent publication by the World Bank Group, global growth decelerated markedly in 2019, with annual growth rate weakening to 2.4%, which was the lowest rate of expansion in many years. Growth in the United States also decelerated amid slowing investments and exports, as rising tariffs have increased trade costs. In China, the growth in its Gross Domestic Product (GDP) slowed down to 6.1% in 2019, albeit still within the targeted range of 6% to 6.5%. In Hong Kong, due to the significant adverse impact caused by the local social unrest since June last year and, as exacerbated by the unfavourable economic climate globally, the local economy entered into recession in the second half of the year. Hong Kong's GDP overall contracted by 1.2% in real terms in 2019, which was its first annual contraction since 2009.

Although the number of total visitors to Hong Kong maintained growth in the first six months of 2019, the situation was abruptly reversed in the second half. As a result, visitor arrivals to Hong Kong for the whole year of 2019 only amounted to 55.9 million, which was a negative growth of 14.2% year-on-year. Total overnight visitors amounted to 23.8 million and represented a decrease of 18.8% year-on-year. Of the total 43.8 million visitors from Mainland China, 16.2 million were overnight visitors, dropping by 18.5% year-on-year. Meanwhile, the number of overnight visitors from the traditional long haul and other short haul markets (excluding Mainland China) also recorded year-on-year declines of 15.2% and 22.1%, respectively.

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 slid from 86% in July to 61% in the month of December 2019, ending in a year-round average of 79.0%, representing a decrease of 12.0 percentage points from 2018. At the same time, the industry-wide average room rate also contracted by 12.4%, resulting in a year-on-year decrease of 23.9% in average Revenue per Available Room (RevPAR).

**Hotel ownership**

The Regal Group is developing through a wholly owned subsidiary a second hotel at the Hong Kong International Airport. This new hotel is proposed to be named as Regala Skycity Hotel, which will have over 1,200 guestrooms and suites, complemented with extensive food and beverage, banqueting and meeting facilities. The building superstructure works have been completed as scheduled and the hotel is expected to be opened for business in the first half of 2021.

The Regal Group also owns a 186-room hotel in Barcelona, Spain, which was previously self operated by the Regal Group. This hotel property has since September 2017 been leased to an independent third party and is yielding satisfactory rental income.

The Regal Group acquired in April 2019 an existing property located at a prime location in London, the United Kingdom. Planning works have been commenced to renovate this property into a hotel with about 73 guestrooms and a restaurant, and the renovated hotel is intended to be self-operated by the Regal Group.

**Regal REIT**

The Regal Group held 74.6% of the outstanding units of Regal REIT as at 31 December 2019 and Regal Portfolio Management Limited, a wholly-owned subsidiary of Regal, acts as the manager of Regal REIT.

For the year ended 31 December, 2019, Regal REIT recorded a consolidated loss before distributions to unitholders of Regal REIT (the “Unitholders”) of HK\$2,102.3 million, as compared to a profit of HK\$2,251.7 million for the financial year 2018. The consolidated loss recorded for 2019 included a fair value loss of HK\$2,522.6 million arising from the decrease in the appraised values of Regal REIT’s investment property portfolio, after accounting for the additional capital expenditures incurred for the year, while a fair value gain of HK\$1,789.1 million was recorded for 2018. If the effects of the fair value changes are excluded, the core profit before distributions to Unitholders for 2019 would amount to HK\$420.3 million, a decrease of 9.1% as compared to HK\$462.5 million for the preceding year. Distributable income for the year attributable to Unitholders amounted to HK\$445.2 million, approximately 9.0% below the comparative amount of HK\$489.2 million in the preceding year.

Regal REIT currently owns a total of nine operating hotels, commanding an aggregate of 4,909 guestrooms and suites and is one of the major hotel owners in Hong Kong. Its present portfolio of properties comprises a balanced mix of five full-service hotels under the Regal brand and four select-service hotels under the iclub brand, catering to different market demands. Except for the iclub Wan Chai Hotel which is self-operated by Regal REIT, all the other eight hotels have been leased to the Regal Group for hotel operations.

**Hotel operations**

Favour Link International Limited, a wholly owned subsidiary of Regal, is the lessee operating all the eight Regal hotels and iclub hotels under lease from Regal REIT.

Management has forewarned in the 2019 Interim Report of Regal published in August 2019 that the social events which were taking place in Hong Kong were seriously affecting many different trades, particularly the tourism related, retail and food and beverage business sectors and could adversely impact the Regal Group's hotel business if the situation did not improve.

Apart from the Regal Airport Hotel which was able to maintain satisfactory performance throughout the year due to its unique market positioning and while the airline traffic was still operating normally, the hotel room as well as the food and beverage businesses of the other four Regal hotels have dropped substantially in the second half of 2019, as compared with the levels attained in the first six months. For the year 2019 as a whole, the five Regal hotels overall recorded a combined average occupancy of 77.9%, as compared to 88.7% last year, while their combined average room rate decreased by 9.3%, with combined average RevPAR consequently declining by 20.3% year-on-year, although still slightly better than the market average. Total net property income from the five Regal hotels amounted to HK\$606.9 million, which was 30.7% lower than the HK\$875.7 million in 2018 and below the aggregate annual base rent of HK\$776.0 million for the year. Under the market rental review completed in November 2019, the aggregate annual base rent for the five Regal hotels for 2020 was determined to be HK\$710.0 million, which was HK\$66.0 million below the aggregate base rent for 2019, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income of the five Regal hotels over their aggregate base rent.

Three other iclub hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, are also operated by Favour Link under leases from Regal REIT. Likewise, the businesses of these iclub hotels in the second half of 2019 have met with intense pressure. The combined annual average occupancy rate for these three iclub hotels for the whole year of 2019 was 75.9%, 13.6 percentage points below the level in 2018, while their combined average room rate decreased by 17.3%, resulting in a decline of 29.9% in their combined average RevPAR year-on-year.

For the year ended 31 December 2019, the aggregate net property income generated by the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel was much lower than its comparative amount in 2018 and below their aggregate base rent of HK\$92.0 million under their respective market rental packages. The initial fixed terms of the leases for these two hotels expired on 31 December 2019 and Regal REIT has exercised in May 2019 the option granted to it in the respective lease agreements to extend the two leases for another five years till end of 2024. Under the market rental reviews concluded in November 2019, the base rent for 2020 for each of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel was determined to be HK\$41.0 million, a reduction of HK\$5.0 million in each case below the annual base rent for 2019, with variable rent continuing to be based on 50% sharing of the excess of the net property income over the base rent of each hotel.

The iclub Ma Tau Wai Hotel was acquired by Regal REIT in 2017 from P&R, a 50/50 joint venture owned by Paliburg, the immediate listed parent of the Regal, and Regal Group. The lease for this hotel is still within the initial five-year term with predetermined fixed annual rentals. Under the arrangement agreed with P&R, Favour Link as the lessee is entitled to reimbursement from P&R annually for any deficit between the rental expenses and the net property income from the business operation of the hotel within this initial term.

### **Hotel management**

Regal Hotels International Limited, the wholly owned management arm of the Regal Group, is the hotel manager managing all the five Regal hotels and five iclub hotels now operating in Hong Kong. Two other new hotels in Hong Kong, also to be managed by Regal, are coming on stream. The first one in line is the iclub Sheung Wan II Hotel, which was developed and presently 50% beneficially owned by P&R, and planned to be opened for business in the second quarter this year. The second one is the Regala Skycity Hotel, which is being developed by the Regal Group and scheduled to be opened for business in the first half of 2021.

In Mainland China, the Regal Group is presently managing a total of seven operating Regal hotels, including three in Shanghai, two in Dezhou, one in Xi'an and one in Foshan. The Regal Group is also managing one hotel in Zhengzhou which is operating under the iclub by Regal brand. Three other hotels to be managed by the Regal Group are under development, which are separately located in Chengdu, Jiangmen and Kunshan.

The hotel manager will continue to step up its efforts to promote the "Regal", "iclub" and the latest "Regala" brand names and to strengthen the Regal Group's marketing and reservation networks on the internet and other platforms.

### **Properties**

Through one of its wholly owned subsidiaries, the Regal Group is developing a commercial/residential project located at Queen's Road West in Hong Kong. The development works for this project are progressing steadily and the project is expected to be completed in 2022. Presale of the residential units in this development is planned to be launched before the end of this year.

Regal Group is also undertaking in Hong Kong another commercial/residential development at Hai Tan Street in Sham Shui Po. Meanwhile, the Regal Group is progressing with a renovation for sale project in Lisbon, Portugal. On the other hand, Regal Group is still retaining a total of 13 garden houses in Regalia Bay in Stanley, 7 of which are held as investment properties.

### **Aircraft ownership and leasing**

In February 2019, Regal Group completed the disposal of the one remaining Embraer ERJ135 aircraft to an independent buyer. The disposal of all our Embraer aircraft has on the whole generated reasonably attractive profits. At present, Regal Group owns a fleet of 3 passenger aircraft, which are all on operating leases. In June 2019, Regal Group executed agreements to extend the operating leases of two Airbus A320-232 with the existing lessee, which is a major British international airline

operator, from 2020 to 2024. The extensions of these leases will provide steady rental income for the Regal Group during the extended term. The third aircraft is an Airbus A319-133, which has been leased to a European airline operator. The lease for this third aircraft is scheduled to expire in April 2021 and the marketing works for the re-leasing of this aircraft are underway.

### **1.2.3 COSMOPOLITAN**

For the year ended 31 December, 2019, Cosmopolitan recorded a consolidated loss attributable to shareholders of HK\$170.3 million, while a profit of HK\$201.9 million was attained in 2018. The loss recorded for the year under review was primarily due to the finance costs incurred as well as the fact that, although substantial contracted presales have been secured on the residential units in the third stage of the development in Chengdu, the PRC, the profits that could be recognised from the sale of units in the Cosmopolitan Group's development projects in Tianjin and Chengdu, the PRC during the year were relatively small, whereas in the preceding year, there was substantial profit contribution from the completed sales of the residential units in the Tianjin project. During the year under review, due to the decelerated economic growth globally and the escalated trade tensions with the United States, China's gross domestic product slowed down to 6.1%, albeit still within the targeted range of 6% to 6.5%. The real estate market in China overall remained steady, with the aggregate transaction volume of primary sale of commercial housings increasing by about 6.5% over the prior year.

The two major development projects of the Cosmopolitan Group in Chengdu and Tianjin were progressing steadily during the year. The third stage of the Regal Cosmopolitan City project in Chengdu being developed comprises ten residential towers with a total of 1,555 units, together with ancillary commercial accommodations and car parking spaces, which is targeted to be completed around mid-2021. The presale programme for the third stage residential towers was first launched in March 2019. Up to Latest Practicable Date, a total of 957 units within seven residential towers have been presold, at prices which are significantly higher than those attained in the sale of the first and second stages. The presale of the units in the remaining three residential towers will be launched later this year. The other components of the Regal Cosmopolitan City project include a hotel that is scheduled to be completed in phases from 2021 as well as a commercial complex and office towers, the development works for which are actively ongoing. The presale of one office tower consisting of 434 units is expected to be launched before the end of this year.

As regarding the Group's Regal Renaissance project in Tianjin, nearly all of the residential units have already been sold. The sale of the commercial complex is continuing and certain parts have in the meantime been leased out for rental income. The construction works of the two office towers, which were once suspended temporarily to comply with regulatory requirements, have resumed in June 2019 and are planned to be completed in 2022. The presale of one of the office towers consisting of 137 units is expected to commence in the third quarter of 2020.

### 1.3 CAPITAL RESOURCES AND FUNDING

#### Funding and Treasury Policy

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 and proceeds from the presale of the units. Project financing for the projects in the PRC may be arranged in local currency on appropriate terms 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.

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 were denominated in US 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 Century City Group's management from time to time. As the Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards Century City Group's overseas investments and investments in the PRC which are based in currencies other than US dollar and Hong Kong dollar, Century City Group will consider hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain Century City Group's exposure to currency fluctuation.

#### Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK\$778.8 million (2018 – net cash flows used in operating activities of HK\$464.5 million). Net interest payment for the year amounted to HK\$481.4 million (2018 – HK\$361.0 million).

#### Borrowings and gearing

As at 31 December, 2019, Century City Group had cash and bank balances and deposits of HK\$2,986.5 million (2018 – HK\$2,943.9 million) and Century City Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$17,577.9 million (2018 – HK\$16,625.4 million). As at 31 December, 2019, the gearing ratio of Century City Group was 37.5% (2018 – 36.7%), representing Century City Group's borrowings, net of cash and bank balances and deposits, of HK\$17,577.9 million (2018 – HK\$16,625.4 million), as compared to the total assets of Century City Group of HK\$46,903.6 million (2018 – HK\$45,329.1 million). On the basis of the adjusted total assets as at 31 December, 2019 of HK\$54,185.1 million (2018 – HK\$54,681.0 million) with the hotel portfolio owned by the Regal Group in Hong Kong restated at its market value, the gearing ratio would be 32.4% (2018 – 30.4%).



Details of the maturity profile of the borrowings of Century City Group as of 31 December 2019 are shown as follows:

*Interest bearing bank borrowings*

	31 December 2019		31 December 2018	
	<i>Maturity</i>	<i>HK\$'million</i>	<i>Maturity</i>	<i>HK\$'million</i>
<b>Current</b>				
Bank loans – secured	2020	2,482.5	2019	4,131.2
<b>Non-current</b>				
Bank loans – secured	2021 - 2024	<u>15,365.2</u>	2020 - 2023	<u>12,712.2</u>
		<u>17,847.7</u>		<u>16,843.4</u>
		<b>31 December 2019</b>	<b>31 December 2018</b>	
		<i>HK\$'million</i>	<i>HK\$'million</i>	
Analysed into:				
Bank loans repayable				
		2,482.5		4,131.2
		7,757.7		1,432.6
		<u>7,607.5</u>		<u>11,279.6</u>
		<u>17,847.7</u>		<u>16,843.4</u>

On 12 September 2016, Regal REIT group, through its wholly-owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$1,000.0 million (the “**2016 IH Facilities**”), for a term of five years to September 2021. The 2016 IH Facilities are secured by four of the five initial hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 31 December 2019, the 2016 IH Facilities had an outstanding term loan facility of HK\$4,500.0 million and the full amount of the revolving loan facility had not been utilised.

On 8 March 2018, Regal REIT group, through its wholly owned subsidiary, Ricobem Limited, arranged a bilateral term loan facility of HK\$3,000.0 million (the “**2018 RKH Facility**”), secured by a mortgage over the Regal Kowloon Hotel. This facility has a term of five years to March 2023. As at 31 December 2019, the outstanding amount of the 2018 RKH Facility was HK\$3,000.0 million, representing the full amount of the term loan facility.

A term loan facility agreement for a principal amount of HK\$440.0 million (the “2014 WC Facility”), with a term of five years to December 2019, was entered into by Sonnix Limited, a wholly owned subsidiary of Regal REIT group on 22 December 2014. On 19 July 2019, a new term loan facility of HK\$440.0 million (the “2019 WC Facility”), with a term of five years in July 2024, was granted by the same bank to early refinance the 2014 WC Facility. Most of the key terms remain unchanged while the new loan facility bears a lower interest margin. The 2019 WC Facility is secured by the iclub Wan Chai Hotel. As at 31 December 2019, the outstanding amount on the 2019 WC Facility was HK\$440.0 million, representing the full amount of the term loan facility.

On 19 October 2018, Regal REIT group, through its wholly-owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the “2018 SW Facilities”), secured by the iclub Sheung Wan Hotel. The 2018 SW Facilities have a term of five years to October 2023. As at 31 December 2019, the utilised amount of the 2018 SW Facilities was HK\$632.0 million, representing the full amount of the term loan facility.

On 29 November 2018, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investment Limited, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (the “2018 FH Facilities”), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 31 December 2019, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4 September 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged a term loan facility of HK\$748.0 million (the “2017 MTW Facility”), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. As at 31 December 2019, the outstanding amount of the 2017 MTW Facility was HK\$748.0 million, representing the full amount of the term loan facility.

As at 31 December 2019, the outstanding loan facilities of Regal REIT group bore interest at the Hong Kong Interbank Offered Rates (“HIBOR”) plus an interest margin ranging from 0.92% per annum to 1.15% per annum (2018 - ranging from 0.92% per annum to 1.45% per annum).

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2014 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2017 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group’s interest bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;

- (iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

As at 31 December 2019, Century City Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.95% per annum to 1.55% per annum except for a bank loan of HK\$2.2 million, which bore interest at the London Inter Bank Offered Rates ("LIBOR") plus an interest margin of 1% per annum and bank loans of HK\$574.5 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$38.0 million which were denominated in United States dollars and bank loans of HK\$43.5 million which were denominated in Euro.

As at 31 December 2018, Century City Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.75% per annum to 1.5% per annum except for a bank loan of HK\$21.0 million, which bore interest at LIBOR plus an interest margin of 0.75% per annum, and bank loans of HK\$714.3 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$557.0 million which were denominated in United States dollars and bank loans of HK\$21.6 million which were denominated in Euro.

Century City Group's bank borrowings are secured by a pledge over certain assets of Century City Group.

#### *Other Borrowing*

	31 December 2019	31 December 2018
	<i>HK\$'million</i>	<i>HK\$'million</i>
Other borrowing - unsecured		
Repayable in the second year	2,716.7	–
Repayable in the third to fifth years, inclusive	<u>–</u>	<u>2,725.9</u>
	<u>2,716.7</u>	<u>2,725.9</u>

On 5 October 2012, RH International Finance Limited (the "RH International"), a wholly owned subsidiary of Regal, established a US\$1,000 million medium term note programme guaranteed by Regal (the "MTN Programme").

On 20 July 2016, the RH International issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

**Lease liabilities**

As at 31 December 2019, Century City Group had lease liabilities of HK\$69.3 million.

**Pledge of assets**

As at 31 December 2019, certain of Century City Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$34,193.9 million were pledged to secure general banking facilities granted to Century City Group as well as bank guarantees procured by 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 2019, certain ordinary shares in a listed subsidiary with a market value of HK\$376.8 million were also pledged to secure general banking facilities granted to Century City Group.

**Capital Commitments**

As at 31 December 2019, Century City Group had capital commitments contracted, but not provided for, in respect of property development projects of not more than HK\$1,850.0 million.

**Contingent Liabilities**

As at 31 December 2019, Century City Group had contingent liabilities for corporate guarantees provided in respect of a banking facility granted to an associate in the amount of HK\$357.2 million which was fully utilized. In addition, guarantees were given to certain banks by the Century City Group for demand and performance bonds issued by the banks in relation to certain property development projects amounting to approximately HK\$22.9 million as at 31 December 2019.

A subsidiary of the Cosmopolitan Group received claims for compensation from certain purchasers of the residential units of the Cosmopolitan Group's property development project in Tianjin in relation to the alleged delay in handing over the completed units. The total amount of the claims amounted to approximately RMB2.1 million (HK\$2.4 million) as at 31 December 2018. The claims were subsequently either discharged or withdrawn and there was no outstanding claim as at 31 December 2019.

In addition, at the end of the reporting period, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB461.5 million (HK\$514.7 million) (2018 – RMB316.3 million (HK\$360.1 million)). The Cosmopolitan Group's guarantee period starts from the dates of grant of the

relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

No provision has been made in the consolidated financial statements for the guarantees in connection with the mortgage facilities as management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

#### **1.4 MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES**

During the period under review, there were no material acquisitions or disposals of subsidiaries or associates of Century City.

#### **1.5 STAFF AND REMUNERATION POLICY**

Century City Group employed approximately 1,960 staff in Hong Kong and the PRC. Century City Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with 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 Century City Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

## **2. MANAGEMENT DISCUSSION AND ANALYSIS ON CENTURY CITY GROUP FOR THE YEAR ENDED 31 DECEMBER 2018**

Set out below is the management discussion and analysis on Century City Group as summarised from the annual report of Century City for the year ended 31 December 2018 (the "**2018 Annual Report**").

### **2.1 FINANCIAL RESULTS**

For the year ended 31 December 2018, Century City Group achieved consolidated profit attributable to shareholders of HK\$174.8 million, as compared to the profit of HK\$381.2 million attained in the preceding year.

Although the profit achieved for the year ended 31 December 2018 was substantially lower than that recorded in 2017, Century City Group's property and hotel operation businesses have performed satisfactorily and generated gross profit higher than that attained in the prior year. The decrease in the profit for the year 2018 was principally due to the fact that in 2017, Century City Group recorded

significantly larger fair value gains on its portfolio of investment properties as compared to those in the year 2018 and, as affected by the downturn of the debt and capital markets, particularly in the second half of the year 2018, Century City Group incurred fair value losses in its financial assets investment business during the year, as opposed to a profit contribution in 2017.

Gross profit of Century City Group from its business operations, including those from all of its subsidiary undertakings, amounted to HK\$2,016.6 million, as compared to HK\$1,268.9 million in 2017. Operating profit before depreciation and amortisation, finance costs and tax for the year ended 31 December 2018 amounted to HK\$1,580.3 million, which was comparatively lower than the corresponding amount of HK\$1,823.4 million in the preceding year due to the reasons explained above. As Century City Group's operating hotel properties in Hong Kong are owned and operated within Century City Group, they are classified in Century City Group's consolidated financial statements as property, plant and equipment and are subject to depreciation to conform to applicable accounting standards. Accordingly, depreciation charges in an aggregate amount of HK\$543.7 million have been provided on such hotel properties in the financial results under review (2017 - HK\$525.6 million) which, although having no impact on cash flow, have nevertheless affected the overall reported profits.

## 2.2 BUSINESS OVERVIEW

Century City Group comprises a total of five listed entities in Hong Kong, with Century City acting as the ultimate holding company of Century City Group. As at 31 December 2018, Century City held approximately 62.3% shareholding in Paliburg and the core hotel and property businesses of Century City Group are conducted through different subsidiaries of Paliburg.

Regal, a listed subsidiary approximately 69.3% held by Paliburg as at 31 December 2018, primarily undertakes Century City Group's hotel businesses. Apart from engaging in hotel operating and management businesses, Regal has a significant portfolio of diversified business and investment interests and held approximately 74.6% of the outstanding units of Regal REIT, a listed subsidiary of Regal which presently owns nine Regal and iclub hotels operating in Hong Kong.

Century City Group's property development businesses are principally conducted through P&R, which is a joint venture 50:50 owned by each of Paliburg and Regal. As Regal is a subsidiary of Paliburg, P&R is effectively also a subsidiary of Paliburg and, in turn, of Century City. As at 31 December 2018, P&R also held an effective controlling shareholding interest of approximately 75.7% in Cosmopolitan (comprising interests in its ordinary shares and convertible preference shares) and, in addition, interests in the convertible bonds of Cosmopolitan. Cosmopolitan is consequently also a listed member of Century City Group, which is principally undertaking property development and investment and other investment businesses in the PRC.

Subsequent to 31 December 2018, a wholly-owned subsidiary of P&R entered into share swap agreements with three independent third parties in January 2019, pursuant to which P&R Group sold an aggregate of 350 million ordinary shares of Cosmopolitan to the independent third parties, in exchange for their holdings in 200 million shares in Beijing Sports and Entertainment Industry Group Limited, a company listed on The Stock Exchange of Hong Kong Limited. The 350 million Cosmopolitan shares represent approximately 7.9% of the issued Cosmopolitan Shares and the share

swap was based on an agreed value of HK\$1.50 per Cosmopolitan share. Following the completion of the share swap arrangements, the shareholding interests of P&R Group held in the issued ordinary share capital of Cosmopolitan has been reduced to 54.9%, which helped to increase the public float of Cosmopolitan.

Century City Group currently owns, through its wholly-owned subsidiaries, a Boeing B737-800F freighter aircraft on finance lease to a logistics operator, which is generating steady income. In addition, the Regal Group also owns at present a fleet of 3 aircraft, having disposed of over the past twelve months one Airbus A321-211 and eleven Embraer ERJ145 and ERJ135 aircraft (including 6 leased under finance leases), which overall contributed satisfactory returns.

Century City Group still holds a reasonably positive view in the long-term growth of the aviation industry and will continue to review new acquisitions if they could offer attractive returns. Century City Group will also continue to examine different available proposals to devise an appropriate holding structure for its overall aircraft ownership and leasing business.

Century City Group effectively owns an aggregate of 48% interest (comprising 36% held by the Regal Group and 12% held through wholly-owned subsidiaries of Century City) in CIT, an edutainment company principally engaged in the production of education and entertainment multimedia content, products and services.

Up to 26 March 2019, CIT has developed over 2,000 minutes of award-winning 3D animated content based on its flagship brand, *Bodhi and Friends*. In further testament of the brand's growing popularity, *Bodhi and Friends* was one of the first Chinese brands licensed by Minecraft, one of the world's bestselling video games with over 150 million copies sold.

To foster holistic child development and meet the growing demand for day-care and quality early childhood education, CIT is also considering to develop early childhood centres and kindergartens across Hong Kong and China and is in discussions with leading international educational institutions to bring the best content and practices to the PRC.

Management is confident that the expanding portfolio of high-quality educational content, products, and services in collaboration with our world-class partners will help elevate *Bodhi and Friends* to become China's first international preschool brand.

The operational performance and business review of the listed members of Century City Group during the year ended 31 December 2018 are highlighted below.

### 2.2.1 PALIBURG

For the year ended 31 December 2018, Paliburg achieved consolidated profit attributable to shareholders of HK\$321.0 million, as compared to the profit of HK\$528.5 million attained in the preceding year. Although the profit achieved for the year ended 31 December 2018 was substantially lower than that recorded in 2017, the Paliburg Group's property and hotel operation businesses have performed satisfactorily and generated gross profit higher than that attained in the prior year. The decrease in the profit for the year was principally due to the fact that in 2017, the Paliburg Group

recorded significantly larger fair value gains on its portfolio of investment properties as compared to those in the year under review and, as affected by the downturn of the debt and capital markets, particularly in the second half of 2018, the Paliburg Group incurred fair value losses in its financial assets investment business during 2018, as opposed to a profit contribution in 2017.

Gross profit from its business operations, including those from all of its subsidiary undertakings, amounted to HK\$2,002.1 million, as compared to HK\$1,238.8 million in 2017. Operating profit before depreciation and amortisation, finance costs and tax for the year ended 31 December 2018 amounted to HK\$1,603.0 million, which was comparatively lower than the corresponding amount of HK\$1,746.1 million in the preceding year due to the reasons explained above. Depreciation charges in the amount of HK\$543.7 million have been provided by Paliburg in its financial statement on the hotel properties owned in Hong Kong for 2018 (2017 - HK\$525.6 million) which, although having no impact on the Paliburg Group's cash flow, have nevertheless affected the reported results.

The property market in Hong Kong was relatively buoyant in the first half of 2018, with land prices at the government land tenders recording new historical highs. Following the successive interest rate hikes in the United States, the escalation of the trade disputes between the United States and China and the introduction by the government of Hong Kong of a series of additional controlling measures, including the proposed vacancy tax on first-hand private residential properties, the property market in Hong Kong began to cool down in the second half of 2018. Property prices in Hong Kong generally adjusted downwards in the fourth quarter and the volume of property transactions in the second half as a whole contracted notably from the levels in the first half of 2018.

P&R undertakes a total of 8 projects in Hong Kong, including the large scale luxury residential development at Mount Regalia in Kau To, Sha Tin. This development has a total gross floor area of about 349,500 square feet, comprising 24 garden houses and 136 apartment units together with car parks and club house facilities. The occupation permit and certificate of compliance for this development has been issued in September 2018 and February 2019 respectively. The marketing and sale programme for the houses and apartment units will be formally launched shortly.

Two of the development projects undertaken by P&R have been duly completed during 2018 which are, respectively, the "We Go MALL" shopping mall development that was soft opened in May 2018 and "The Ascent" commercial and residential joint venture development with the Urban Renewal Authority of Hong Kong, the certificate of compliance of which was issued in July 2018. Most of the lettable space at the "We Go MALL" has been leased out or occupied and is generating satisfactory rental revenues. On the other hand, nearly all of the residential units in "The Ascent" have been sold and the profits from these unit sales have been reflected in the results of the Paliburg Group under review. The commercial units are planned to be tendered for sale in the second quarter of 2019.

Two other projects of P&R are for the development of hotels, one of which is located in Tai Kok Tsui, Kowloon and the other in Sheung Wan, Hong Kong. The hotel development in Tai Kok Tsui has recently been completed and soft opened for business operations after the issue of the business licence earlier March 2019. The hotel named as the "iclub Mong Kok Hotel", is being managed by a wholly-owned subsidiary of Regal. The other hotel development in Sheung Wan is proposed to be named as the "iclub Sheung Wan II Hotel" and is scheduled to be completed in the second half of 2019. The "iclub Sheung Wan II Hotel" was then disposed under the Hotel Interests Disposal



Agreement signed on 31 December 2019. P&R acquired certain existing properties at Castle Peak Road in Cheung Sha Wan in October 2018, which are intended for a commercial/residential development. Most recently, P&R has further completed the acquisition of certain existing properties in Shau Kei Wan, which are also intended for a commercial/residential development. P&R will continue to take steps to further replenish its land bank, both by way of acquisition of existing properties with development potentials as well as through participations in government land tenders. In the meanwhile, the property development business of the Paliburg Group in China is undertaken through the Cosmopolitan Group.

### 2.2.2 REGAL

For the year ended 31 December 2018, Regal achieved consolidated profit attributable to shareholders of HK\$547.7 million, while the profit recorded in the preceding year was HK\$982.1 million. Although the profit achieved for 2018 was substantially lower than that recorded in 2017, the business operations of the Regal Group have performed satisfactorily and generated gross profit higher than that attained in the prior year. The decrease in the profit achieved for 2018 was principally due to the fact that in 2017, there was an one-off income derived from the reimbursement of rental expenses (net of hotel operating income) with regards to the leasing by the Regal Group of the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel for their initial 3-year terms and, as affected by the downturn of the debt and capital markets, particularly in the second half of 2018, the profit contribution derived from its financial assets investment business during 2018 was significantly below the level attained in 2017.

Gross profit from business operations for the year amounted to HK\$1,213.7 million, approximately 4.0% over the HK\$1,167.0 million in 2017. Operating profit before depreciation, finance costs and tax for the year ended 31 December 2018 amounted to HK\$1,327.4 million, which was comparatively lower than the HK\$1,814.7 million attained in 2017 due to the reasons explained above. Total depreciation charges provided by Regal on its hotel portfolio in Hong Kong for the year ended 31 December 2018 amounted to HK\$479.9 million (2017 – HK\$463.2 million) which, although not affecting cash flow, have nevertheless impacted on its reported profits.

### Hotel market overview

According to a recent publication by the World Bank Group, global growth is projected to moderate from a downward revised 3% in 2018 to 2.9% in 2019 and to 2.8% in 2020-21. Growth in the United States will continue to be supported by fiscal stimulus in the near term, which will likely lead to larger and more persistent fiscal deficits. The growth in the Gross Domestic Product (GDP) in China reached 6.6% in 2018 but is projected to decelerate in 2019, slightly below previous projections as a result of weaker exports. Hong Kong sustained strong growth in the first half of 2018 under a stable economic environment. Following the escalation of the United States – China trade disputes and the successive interest rate hikes in the United States, Hong Kong's economic growth decelerated notably in the second half and particularly in the fourth quarter. GDP growth in real terms for 2018 as a whole was 3.0%, albeit still faster than the trend growth rate of 2.8% over the past decade, it was slower than the 3.8% growth attained in 2017.

For the whole year of 2018, visitor arrivals to Hong Kong increased by 11.4% year-on-year to a new record high of 65.1 million, led by an increase in the overall number of visitors from the PRC. Total overnight visitors to Hong Kong amounted to 29.3 million, representing an increase of 4.9% year-on-year. Of the total 51.0 million visitors from the PRC, 19.9 million were overnight visitors, which was an increase of 7.4% year-on-year. On the other hand, the number of overnight visitors from the traditional long haul markets and other short haul markets (excluding the PRC) remained relatively steady. Based on a hotel survey published by the Hong Kong Tourism Board (HKTB), the average hotel occupancy rate for all the surveyed hotels in different categories in 2018 was 91.0%, an increase of 2.0 percentage points from 2017, while the industry-wide average room rate recorded a growth of 6.8%, resulting in a year-on-year increase of 9.2% in revenue per available room.

### **Hotel ownership**

The Regal Group is developing through a wholly-owned subsidiary a second hotel at the Hong Kong International Airport, proposed to be named as Regala Skycity Hotel, which will have over 1,200 guestrooms and suites. The construction works for this new hotel are progressing steadily and expected to be completed on schedule in late 2020.

The Regal Group also owns a 186-room hotel in Barcelona, Spain, formerly known as the La Mola Hotel & Conference Centre and self-operated by the Regal Group. This hotel property has been leased to an independent third party since September 2017 and is yielding satisfactory rental income.

### **Regal REIT**

As at 31 December 2018, the Regal Group held approximately 74.6% of the total outstanding issued units of Regal REIT, while Regal Portfolio Management Limited, a wholly-owned subsidiary of Regal, acts as the manager of the Regal REIT.

For the year ended 31 December 2018, Regal REIT recorded consolidated profit before distributions to unitholders of HK\$2,251.7 million, as compared to the profit of HK\$2,488.3 million for the financial year 2017. The consolidated profit recorded for 2018 included a fair value gain of HK\$1,789.1 million arising from the increase in the appraised values of Regal REIT's investment property portfolio, after offsetting the additional capital expenditures for the year ended 31 December 2018, while for the financial year 2017, the corresponding fair value gain was HK\$2,044.2 million. If the effects of the fair value changes are excluded, the core profit before distributions to unitholders for the year ended 31 December 2018 would amount to HK\$462.5 million, an increase of 4.1% as compared to HK\$444.1 million for the preceding year.

Apart from the five initial Regal hotels under the "Regal" brand, Regal REIT is gradually building up a strong portfolio of iclub hotels, a select-service hotel brand developed by the Regal Group. Currently, there is a total of four iclub hotels owned by Regal REIT and operating in Hong Kong. The first iclub hotel was the iclub Wan Chai Hotel, which is self-operated by Regal REIT and managed by a subsidiary of Regal. This hotel has all along enjoyed high occupancy levels and an increasing focus is now being placed on yield enhancement. The year-round average occupancy rate in 2018 was 95.9%, slightly higher than the 95.3% in 2017, while the average room rate increased by 9.1% with revenue per available room consequently improved by 9.8% year-on-year.

Regal REIT currently owns a total of nine operating hotels, commanding an aggregate of 4,909 guestrooms and suites and is one of the major hotel owners in Hong Kong. The present portfolio of properties comprises a balanced mix of full-service and select-service hotels, which are strategically positioned to cater to different market demands from a wide range of business and leisure customers.

Following the completion of the HK\$3,000.0 million 5-year bilateral term loan financing, secured by the Regal Kowloon Hotel, in March 2018, Regal REIT has further concluded two separate bilateral refinancing arrangements for the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel in October and November 2018, respectively. Through these refinancing arrangements, Regal REIT was able to achieve savings in interest expenses, which will help to reduce Regal REIT's future financing costs.

### **Hotel operations**

Favour Link International Limited, a wholly-owned subsidiary of Regal, is the lessee operating the eight hotels under leases from Regal REIT.

The five initial Regal hotels have maintained steady operating performances during 2018. Their combined average occupancy rate in 2018 was 88.7%, as compared to 87.4% last year, while their combined average room rate increased by 7.4%, resulting in a year-on-year enhancement of 9.0% in revenue per available room, fairly in line with the industry average. Total hotel revenue from the five initial Regal hotels in 2018 amounted to HK\$2,037.4 million, as compared to HK\$1,967.0 million in 2017. The total net property income generated by these five hotels for 2018 amounted to HK\$875.7 million, which was 8.5% above the HK\$807.3 million in the preceding year. This represented an excess of HK\$124.7 million over the aggregate annual base rent of HK\$751.0 million for 2018, 50% of which will be attributable to Regal REIT as variable rent under the market rental package. For the year 2019, the aggregate annual base rent was determined to be HK\$776.0 million, representing an increment of HK\$25.0 million over the aggregate base rent for 2018, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income of the five initial Regal hotels over the aggregate base rent.

The business model of iclub hotels has proved to be successful and the iclub hotels are increasingly favoured by hotel guests. During the year 2018, the operating performances of the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, which are operated by Favour Link under leases from Regal REIT, achieved considerable improvements. Their combined annual average occupancy rate was maintained at 92.5%, 0.9 percentage point above the level in 2017, while their combined average room rate enhanced by 10.4%, achieving a 11.4% improvement in revenue per available room year-on-year. For the year 2018, these two hotels generated aggregate net property income of HK\$96.8 million, which was an increase of 19.6% above the HK\$80.9 million in the prior year. This represented an excess of HK\$12.4 million over the aggregate base rent of HK\$84.4 million for the year and 50% of such excess will be attributable to Regal REIT as variable rent. Similar to the five initial Regal hotels, their rental packages are being determined annually by an independent professional property valuer. Under the market rental reviews concluded in September 2018, the base rent for 2019 for each of the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel has been determined to be HK\$46.0

million, reflecting an overall increment of HK\$7.6 million over their aggregate annual base rent for 2018, with variable rent continuing to be based on 50% sharing of the excess of the net property income over the base rent of each hotel. The initial fixed terms of the leases for these two hotels will expire on 31 December 2019 but Regal REIT has the option to extend the leases for another 5 years.

The iclub Ma Tau Wai Hotel is the fourth iclub hotel owned by Regal REIT, which it acquired from P&R in September 2017. This hotel has also been leased to the Regal Group for a term of five years with escalating fixed rentals at an average yield of 4.5% per annum. Under the arrangement agreed with P&R, any deficit of the rental expenses below the net property income from the business operation of the hotel will be reimbursed by P&R to the Regal Group annually during the initial 5-year term of the lease. Although still in start-up mode, the iclub Ma Tau Wai Hotel has managed to attain satisfactory performance during 2018, with an average occupancy rate maintained at 84.4%.

### **Hotel management**

Regal Hotels International Limited, the wholly-owned management arm of the Regal Group, is the hotel manager managing all the five initial Regal hotels and five iclub hotels now operating in Hong Kong. The most recent addition to the portfolio is the iclub Mong Kok Hotel, a 288-room hotel developed and owned by P&R, which was soft opened earlier March 2019. Two other new hotels in Hong Kong, also to be managed by Regal Hotels International Limited, are coming on stream. They are, respectively, the iclub Sheung Wan II Hotel to be completed in the second half of 2019, which was then disposed under the Hotel Interests Disposal Agreement signed on 31 December 2019, and the Regala Skycity Hotel in late 2020. In PRC, the Regal Group is managing a total of eight operating Regal hotels, including four in Shanghai, two in Dezhou, one in Xi'an and one in Foshan. The Regal Group is also managing one hotel in Zhengzhou which is operating under the iclub by Regal brand. Three other hotels also to be managed by the Regal Group are under development, which are separately located in Chengdu, Jiangmen and Kunshan.

The hotel manager will continue to step up its efforts to promote the “Regal”, “iclub” and the latest “Regala” brand names and to strengthen the Regal Group’s marketing and reservation networks on the internet and other platforms.

### **Properties**

The Regal Group holds a 50% joint venture interest in P&R. As mentioned before, the Regal Group has also undertaken on its own property development businesses as and when the circumstances were considered to be appropriate. These property projects include certain existing properties situated at Queen’s Road West, Hong Kong which are intended for a commercial/residential development and, more recently, a rehabilitation and renovation project for a historic building in Lisbon, Portugal intended for sale. Separately, the Regal Group continues to retain a total of 14 garden houses in Regalia Bay, Stanley Bay. While certain of these garden houses have been leased out for rentals, some of them may be sold if the prices offered are satisfactory.

### **Aircraft ownership and leasing**

In April 2018, the Regal Group completed the process for the acquisition of two mid-life Airbus A320-232 passenger aircraft, which are under operating leases to a major international airline

operator based in Europe. Later in the year 2018, it disposed of one Airbus A321-211 and four Embraer ERJ145 aircraft to three independent buyers. In December 2018, it also completed the disposals of six Embraer ERJ135/145 aircraft upon the expiries of the relevant finance leases to the then lessee. Subsequent to 31 December 2018, in February 2019, the Regal Group further completed the disposal of the one remaining Embraer ERJ135 aircraft to another independent buyer. These aircraft disposed of have on the whole generated satisfactory profits to the Regal Group. The Regal Group presently owns a fleet of 3 aircraft which are all on operating leases.

### **2.2.3 COSMOPOLITAN**

For the year ended 31 December 2018, Cosmopolitan achieved profit attributable to shareholders of HK\$201.9 million, representing an increase of more than 13 times over the HK\$13.7 million attained in 2017. The significant increase in the profit achieved for 2018 was principally attributable to the profit realised on the completed sales of the residential units in the development project in Tianjin, the PRC. As regarding the two ongoing development projects of the Cosmopolitan Group in China, namely, the Regal Cosmopolitan City in Chengdu and the Regal Renaissance in Tianjin, they are both progressing satisfactorily.

Nearly all of the residential units in the nine residential towers in the first and second stages of the Regal Cosmopolitan City development project have been sold and handed over to the purchasers. Most of the profits realised from these unit sales have been reflected in the results of the Cosmopolitan Group in the preceding year and a minority portion accounted for in the year ended 31 December 2018. The construction works for the ten remaining residential towers comprised in the third stage of the development project are progressing steadily and the presale of the residential units in two of the residential towers has recently been launched. In the meanwhile, the business remodeling works of the hotel have been completed and the hotel is now scheduled to be opened in phases from the first half of 2020.

Most of the units in the four residential towers within the Regal Renaissance development project have been sold and handed over to the purchasers during 2018. The profits achieved by the Cosmopolitan Group for the year ended 31 December 2018 were primarily attributable to the profit contribution from these unit sales. The commercial complex was formally opened in December 2018. While certain parts of the commercial complex have been leased out for rental income, contracts for sale have been secured for some of the shop units. The construction works for the two office towers are expected to be resumed in the second quarter of 2019 and presale programme of the office accommodations is planned to be launched before the end of 2018.

The Cosmopolitan Group entered into a deposit agreement in August 2018 in relation to the possible investment by the Cosmopolitan Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in China. Pursuant to the deposit agreement, the Cosmopolitan Group has paid a deposit of RMB70 million to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible joint venture investment. Following further negotiations with the vendor, the Cosmopolitan Group has agreed to increase the deposit under the deposit agreement from RMB70 million to RMB170 million and to grant loan facilities to the target investee company in an aggregate loan amount of RMB150 million. The deposits and the loan

amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee company and certain associates of the vendor. On 31 December 2019, the CIDL Seller (a wholly-owned subsidiary of Cosmopolitan) and the CIDL Purchaser entered into the CIDL Disposal Agreement, pursuant to which CIDL Seller conditionally agreed to sell and the CIDL Purchaser conditionally agreed to purchase the CIDL Share and CIDL Loan with respect to the aforesaid deposits and loans at the CIDL Consideration.

### **2.3 CAPITAL RESOURCES AND FUNDING**

#### **Funding and Treasury Policy**

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 and proceeds from the presale of the units. Project financing for the projects in the PRC may be arranged in local currency on appropriate terms 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.

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 are denominated in US 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 Century City Group's management from time to time. As the Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards Century City Group's overseas investments and investments in the PRC which are based in currencies other than US dollar and Hong Kong dollar, Century City Group will consider hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain Century City Group's exposure to currency fluctuation.

#### **Cash flows**

Net cash flows used in operating activities during the year ended 31 December 2018 amounted to HK\$464.5 million (2017 - net cash flows generated from operating activities of HK\$112.1 million). Net interest payment for the year amounted to HK\$361.0 million (2017 - HK\$306.5 million).

#### **Borrowings and gearing**

As at 31 December 2018, Century City Group had cash and bank balances and deposits of HK\$2,943.9 million (2017 - HK\$5,039.2 million) and Century City Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$16,625.4 million (2017 - HK\$13,013.9 million).

As at 31 December 2018, the gearing ratio of Century City Group was 36.7% (2017 - 28.2%), representing Century City Group's borrowings net of cash and bank balances and deposits of HK\$16,625.4 million (2017 - HK\$13,013.9 million), as compared to the total assets of Century City Group of HK\$45,329.1 million (2017 - HK\$46,100.5 million).

On the basis of the adjusted total assets as at 31 December 2018 of HK\$53,030.0 million (2017 - HK\$53,070.3 million) with the hotel portfolio owned by the Regal Group in Hong Kong restated at its market value, the gearing ratio would be 31.4% (2017 - 24.5%).

Details of the maturity profile of the borrowings of Century City Group as of 31 December 2018 are as follows.

*Interest bearing bank borrowings*

	31 December 2018		31 December 2017	
	<i>Maturity</i>	<i>HK\$'million</i>	<i>Maturity</i>	<i>HK\$'million</i>
<b>Current</b>				
Bank loans – secured	2019	4,131.2	2018	4,251.6
<b>Non-current</b>				
Bank loans – secured	2020 - 2023	12,712.2	2019 - 2021	9,142.0
		<u>16,843.4</u>		<u>13,393.6</u>
			<b>2018</b>	<b>2017</b>
			<i>HK\$'million</i>	<i>HK\$'million</i>
Analysed into:				
Bank loans repayable:				
Within one year			4,131.2	4,251.6
In the second year			1,432.6	1,736.7
In the third to fifth years, inclusive			<u>11,279.6</u>	<u>7,405.3</u>
			<u>16,843.4</u>	<u>13,393.6</u>

On 12 September 2016, Regal REIT group through its wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$1,000.0 million (the “**2016 IH Facilities**”) for a term of five years to September 2021. The 2016 IH Facilities are secured by four of the five initial hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 31st December, 2018, the 2016 IH Facilities had an outstanding term loan facility of HK\$4,500.0 million and the full amount of the revolving loan facility was un- utilised.

On 8 March 2018, Regal REIT group, through its wholly owned subsidiary, Ricobem Limited, arranged the 2018 RKH Facility, secured by a mortgage over the Regal Kowloon Hotel. The 2018 RKH Facility was drawn down mainly for refinancing the notes under the medium term note programme of the Regal REIT group that matured in March 2018 and May 2018, respectively. The 2018 RKH Facility has a term of five years to March 2023. As at 31st December, 2018, the outstanding amount of the 2018 RKH Facility was HK\$3,000.0 million, representing the full amount of the term loan facility.

On 22 December 2014, a term loan facility agreement for a principal amount of HK\$440.0 million (the “**2014 WC Facility**”) with a term of five years to December 2019, was entered into by Sonnix Limited, a wholly owned subsidiary of Regal REIT group. The 2014 WC Facility is secured by the iclub Wan Chai Hotel. As at 31st December, 2018, the outstanding amount of the 2014 WC Facility was HK\$440.0 million, representing the full amount of the term loan facility.

On 19 October 2018, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged the 2018 SW Facilities secured by the iclub Sheung Wan Hotel to replace the then term and revolving loan facilities of HK\$790.0 million. The 2018 SW Facilities have a term of five years to October 2023. As at 31 December 2018, the utilised amount of the 2018 SW Facilities was HK\$632.0 million, representing the full amount of the term loan facility.

On 29 November 2018, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investment Limited, arranged the 2018 FH Facilities, secured by the iclub Fortress Hill Hotel to replace the then term and revolving loan facilities of HK\$825.0 million. The 2018 FH Facilities have a term of five years to November 2023. As at 31 December 2018, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4 September 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged a term loan facility of HK\$748.0 million (the “**2017 MTW Facility**”), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. As at 31 December 2018, the outstanding amount of the 2017 MTW Facility was HK\$748.0 million, representing the full amount of the term loan facility.

As at 31 December 2018, the outstanding loan facilities of Regal REIT group bear interest at HIBOR plus an interest margin ranging from 0.92% per annum to 1.45% per annum (2017 - ranging from 0.95% per annum to 1.45% per annum).

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2014 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2017 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.



The Regal REIT group's interest bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

As at 31 December 2018, Century City Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.75% per annum to 1.50% per annum except for a bank loan of HK\$21.0 million, which bore interest LIBOR plus an interest margin of 0.75% per annum and bank loans of HK\$714.3 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$557.0 million which were denominated in United States dollars and bank loans of HK\$21.6 million which were denominated in Euro.

As at 31 December 2017, Century City Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.75% per annum to 1.50% per annum except for bank loans of HK\$72.2 million which bore interest at the LIBOR plus an interest margin of 0.75% per annum and bank loans of HK\$392.9 million which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$310.1 million which were denominated in United States dollars, bank loans of HK\$40.9 million which were denominated in Euro and a bank loan of HK\$7.8 million which was denominated in Japanese Yen.

Century City Group's bank borrowings are secured by a pledge over certain assets of Century City Group.

*Other borrowings*

	31 December 2018 <i>HK\$'million</i>	31 December 2017 <i>HK\$'million</i>
<b>Current</b>		
Other borrowings - unsecured	–	1,945.8
<b>Non-current</b>		
Other borrowings - unsecured	<u>2,725.9</u>	<u>2,713.7</u>
	<u>2,725.9</u>	<u>4,659.5</u>
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>
Analysed into:		
Other borrowings repayable:		
Within one year	–	1,945.8
In the third to fifth years, inclusive	<u>2,725.9</u>	<u>2,713.7</u>
	<u>2,725.9</u>	<u>4,659.5</u>

On 5 October 2012, RH International Finance Limited (the “RH International”), a wholly owned subsidiary of Regal, established the MTN Programme.

On 19 October 2012, the RH International issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount. The notes were fully repaid during the year ended 31 December 2017.

On 20 July 2016, the RH International issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

On 11 January 2013, R-REIT International Finance Limited (the “**Regal REIT MTN Issuer**”), a wholly owned subsidiary of Regal REIT, established a US\$1,000 million medium term note programme (the “**Regal REIT MTN Programme**”).

On 22 March 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of Hong Kong dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum. The notes were issued at a discount at 99.44% of the principal amount. The notes were fully repaid on 22 March 2018.

On 22 May 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$150.0 million at a coupon interest rate of 4.10% per annum. The notes were issued at a discount at 99.553% of the principal amount. The notes were fully repaid on 22 May 2018.

### **Pledge of assets**

As at 31 December 2018, certain of Century City Group's property, plant and equipment, investment properties, properties held for sale, financial assets at fair value through profit or loss, financial assets at amortised cost, time deposits and bank balances in the total amount of HK\$28,697.5 million were pledged to secure general banking facilities granted to Century City Group as well as bank guarantees procured by 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 2018, certain ordinary shares in a listed subsidiary with a market value of HK\$457.2 million were also pledged to secure general banking facilities granted to Century City Group.

### **Capital Commitments**

As at 31 December 2018, Century City Group had capital commitments contracted, but not provided for, property development projects of approximately HK\$1,961.9 million.

### **Contingent Liabilities**

A subsidiary of the Cosmopolitan Group was a defendant in certain litigation claims in an aggregate amount of approximately RMB8.2 million (HK\$9.9 million) relating to the re-forestation project located in Xinjiang in the PRC as at 31 December 2017. During 2018, the Cosmopolitan Group successfully defended against the allegations and, accordingly, there was no liability incurred in respect of the claims.

Subsequent to the reporting date, a subsidiary of the Cosmopolitan Group received claims for compensation from certain purchasers of the residential units of the Cosmopolitan Group's property development project in Tianjin in relation to the alleged delay in handing over the completed units. The total amount of the claims amounted to approximately RMB2.1 million (HK\$2.4 million) and the arbitration proceeding has recently commenced. Based on legal opinion obtained, the management considered there is reasonably good ground to defend against the allegations and, accordingly, no provision has been made in the financial statements.

In addition, at the end of the reporting period, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB316.3 million (HK\$360.1 million) (2017 - RMB356.0 million (HK\$427.0 million)). The Cosmopolitan Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

No provision has been made in the consolidated financial statements for the guarantees in connection with the mortgage facilities as management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

#### **2.4 Material acquisitions or disposals of subsidiaries or associates**

During the year ended 31 December 2018, there were no material acquisitions or disposals of subsidiaries or associates of Century City.

#### **2.5 Staff and remuneration policy**

Century City Group employed approximately 2,340 staff in Hong Kong and the PRC. Century City Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with 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 Century City Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

### **3. MANAGEMENT DISCUSSION AND ANALYSIS ON CENTURY CITY GROUP FOR THE YEAR ENDED 31 DECEMBER 2017**

Set out below is the management discussion and analysis on Century City Group as summarized from the annual report of Century City for the year ended 31 December 2017 (the "**2017 Annual Report**").

#### **3.1 FINANCIAL RESULTS**

For the year ended 31 December 2017, Century City Group achieved a consolidated profit attributable to shareholders of HK\$381.2 million, which represents an increase of about 1.8 times over the profit of HK\$136.2 million attained in 2016. The substantial increase in the profit achieved was mainly attributable to the fair value gains on the investment properties and financial assets held by Century City Group.

Century City Group's operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK\$1,823.4 million, as compared to HK\$1,192.8 million for the preceding year. As previously explained, as all Century City Group's operating hotel properties in Hong Kong are owned and operated within Century City Group, they are classified in Century City Group's consolidated financial statements as property, plant and equipment and are subject to depreciation to conform to applicable accounting standards. Accordingly, depreciation charges in an aggregate amount of HK\$525.6 million have been provided on such hotel properties in the financial results under review which, although having no impact on cash flow, have nevertheless affected the overall reported profit.

### **3.2 BUSINESS OVERVIEW**

Century City Group comprises a total of five listed entities in Hong Kong, with Century City acting as the ultimate holding company of Century City Group. As at 31 December 2017, Century City held approximately 62.3% shareholding in Paliburg and the core hotel and property businesses of Century City Group are conducted through different subsidiaries of Paliburg.

Regal, a listed subsidiary approximately 69.3% held by Paliburg as at 31 December 2017, primarily undertakes Century City Group's hotel businesses. Apart from engaging in hotel operating and management businesses, Regal has a significant portfolio of diversified business interests and held approximately 74.6% of the outstanding units of Regal REIT, a listed subsidiary of Regal which presently owns nine Regal and iclub hotels operating in Hong Kong.

Century City Group's property development businesses are principally conducted through P&R, which is a joint venture 50:50 owned by each of Paliburg and Regal. As Regal is a subsidiary of Century City, P&R is effectively also a subsidiary of Century City. As at 31 December 2017, P&R also held an effective controlling shareholding interest of approximately 75.4% in Cosmopolitan (comprising interests in its ordinary shares and convertible preference shares) and, in addition, interests in the convertible bonds of Cosmopolitan. Cosmopolitan is consequently also a listed member of Century City Group, which is principally undertaking property development and investment in the PRC and other investment businesses.

Century City Group entered into an agreement in August 2017 for the disposal of the Boeing 737-800 passenger aircraft, which was approximately 85% owned by Century City's wholly owned subsidiaries, upon its lease expiry. The disposal has been duly completed in November 2017 and yielded satisfactory profit. Currently, Century City Group continues to own through its wholly owned subsidiaries a Boeing B737-300F freighter aircraft on finance lease to a logistics operator, which is generating steady income. In addition, the Regal Group also owns at present a fleet of 13 aircrafts.

The Hong Kong Government has recently promulgated a new tax regime for the aircraft leasing business with an aim to promoting Hong Kong as a base for the aircraft leasing and financing business. Responding to the Government's initiatives, Century City Group is carefully studying the operative details of the new regime in the context of reviewing its overall holding structure for its aircraft leasing business.

Century City Group effectively owns an aggregate of 48% interest (comprising 36% held by the Regal Group and 12% held through wholly-owned subsidiaries of Century City) in CIT, an edutainment company principally engaged in the production of education and entertainment multimedia content, products and services.

Up to 26 March 2018, CIT has developed over 2,000 minutes of award-winning 3D animated content based on its flagship brand, *Bodhi and Friends*. The first and second seasons debuted on China's two leading children television channels and reached No.1 in viewership ratings. The third and fourth seasons were released in 2017, with season four written by an Emmy-award winning writer. To support the global expansion plans of *Bodhi and Friends*, CIT plans to work with local and international partners to develop the fifth season for international markets.

*Bodhi and Friends* was the first Chinese intellectual property licensed to Mattel, one of the world's largest toy companies. The first collection of *Bodhi and Friends* toys was launched last year across more than 700 points of sales in China. *Bodhi and Friends* was also the first Chinese animated intellectual property licensed to Scholastic, one of the world's largest children publishers. The *Bodhi and Friends* branded books published by Scholastic were distributed across Asia.

CIT is taking different initiatives to further enhance the brand's awareness, including the diversification of its portfolio of licensed products and the expansion of the content licensing and distribution on online platforms.

Management is confident that the launch of unique high-quality educational content and products through our leading partnerships will be a major step for *Bodhi and Friends* to become China's first international preschool brand.

The operational performance and business review of the listed members of Century City Group during the year ended 31 December 2017 are highlighted below.

### 3.2.1 PALIBURG

For the year ended 31 December 2017, Paliburg achieved a consolidated profit attributable to shareholders of HK\$28.5 million, which represents an increase of about 1.4 times over the profit of HK\$217.0 million attained in 2016. The substantial increase in the profit achieved was mainly attributable to the fair value gains on the investment properties and financial assets held by the Paliburg Group.

Operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK\$1,746.1 million, as compared to HK\$1,174.8 million in 2016. Depreciation charges in the amount of HK\$525.6 million have been provided by Paliburg in its financial statement for the year on the hotel properties owned in Hong Kong which, although having no impact on the cash flow, have nevertheless affected its reported profit.

The property market in Hong Kong as a whole remained buoyant in 2017. During the year, a total of 17 development sites were sold under government tenders. The aggregate land sale premium realised was in excess of HK\$120 billion, which was a significant increase of over 50% above that

recorded in 2016, and the unit land prices under these tender awards have repeatedly created new records. The residential market was robust, with price and transaction volume reported to have increased by 13% and 24%, respectively, from the 2016 levels. The primary residential market continued to be strong, with property developers offering attractive purchasing terms and financing schemes. In spite of the hefty stamp duties, the secondary market also remained active, as driven by the favourable market sentiment and the pent-up underlying demand. The market for the luxury residential properties was particularly red hot, with the unit prices for strata apartment units continually recording all-time highs. On the other hand, with the support of a rising local consumption power and the gradual recovery in the tourist market, the retail property sector regained momentum after a few years of low period.

Since its establishment in 2011, P&R has served as the main operating arm of Paliburg for its property development and investment business. In September 2017, the iclub Ma Tau Wai Hotel in Kowloon, developed by P&R, was sold to Regal REIT for a cash consideration of HK\$1,360 million. In the meantime, the occupation permit for its shopping mall development at Ma On Shan, Sha Tin was issued in September 2017. This regional shopping mall has been named as the “We Go MALL” and is intended to be retained by P&R as an investment property for rental income. Leasing works are progressing satisfactorily and the mall is planned to be opened in May 2017.

Three other ongoing development projects of P&R are scheduled to be completed within 2018. They are, respectively, the joint venture commercial/residential project with the Urban Renewal Authority of Hong Kong in Sham Shui Po, most of the residential units of which have been presold; the iclub Mong Kok Hotel project also with the Urban Renewal Authority in Tai Kok Tsui; and, more importantly, the large scale luxury residential development at Kau To, Sha Tin.

Considering the increasing challenge in acquiring suitable development sites in Hong Kong to replenish land bank, despite the Hong Kong Government’s efforts to increase land supply, the Paliburg Group will have no haste in the disposal of their properties, particularly having regard to the optimistic outlook of the Hong Kong property market. At the same time, the Paliburg Group is also actively reviewing appropriate acquisition opportunities in real estate and hotel projects overseas that can serve to broaden and diversify its overall asset portfolio. Pending completion and/or sale of the property projects under development, Regal has also been undertaking through its wholly owned subsidiaries property developments in Hong Kong since 2017. In the meanwhile, the property development business of the Paliburg Group in China is undertaken through the Cosmopolitan Group.

### **3.2.2 REGAL**

For the year ended 31 December 2017, Regal achieved a consolidated profit attributable to shareholders of HK\$982.1 million, an increase of about 3.6 times over the profit of HK\$213.7 million recorded in 2016.

The increase in the profit attained for the year was mainly attributable to the fair value gains on its financial assets portfolio, the reimbursement of rental expenses (net of hotel operating income) received from P&R with regards to the leasing by the Regal Group of the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel for their initial 3-year terms and its share of the fair value gains on the investment properties held by the P&R Group.

Operating profit before depreciation, finance costs and tax for the year amounted to HK\$1,814.7 million, as compared to HK\$987.1 million in the preceding year. Total depreciation charges provided by Regal on its hotel portfolio in Hong Kong for the year amounted to HK\$463.2 million which, although not affecting cash flow, has nevertheless impacted on its reported profit.

### **Hotel market overview**

Based on a recent research by the World Bank Group, the growth in advanced economies strengthened in 2017, assisted by recoveries in capital spending and exports. The recoveries were markedly stronger than expected in the Euro Area and, to a lesser degree, in the United States and Japan. The growth in the Gross Domestic Product (GDP) in China reached 6.9% in 2017, which was higher than the previous forecast of 6.5% by some analysts, reflecting the positive effects of the continued fiscal support and economic reforms, as well as recoveries in exports and contribution from net trade. Hong Kong's economy also continued to grow, with its GDP for the year increased by 3.8% in real terms over 2016, above the forecast by the Hong Kong Government of 2-3% in early 2017.

In 2017, visitor arrivals to Hong Kong increased by 3.2% year-on-year to a total of 58.5 million, led by a rebound in the overall number of visitors from Mainland China. During the year, there was a total of 44.4 million visitors from the PRC, of which 18.5 million were overnight visitors, which was an increase of 6.7% year-on-year. Meanwhile, business from the traditional long haul markets and other short haul markets (excluding the PRC) remained steady. Total overnight visitors to Hong Kong in 2017 amounted to 27.9 million, representing an increase of 5% year-on-year. Based on a hotel survey published by the Hong Kong Tourism Board (HKTB), the average hotel occupancy rate for all the surveyed hotels in different categories in 2017 was 89.0%, an increase of 2.0 percentage points from 2016, while the industry-wide average room rate recorded an upward adjustment of 0.1%, resulting in a year-on-year increase of 2.3% in the revenue per available room.

### **Hotel ownership**

A wholly-owned subsidiary of Regal is developing a new hotel within the SKYCITY Project at the Hong Kong International Airport under an agreement for sublease from the Airport Authority. The project is progressing steadily and the new hotel is presently scheduled to be completed in 2020.

The Regal Group also wholly owns the 186-room La Mola Hotel & Conference Centre in Barcelona, Spain. This hotel was acquired in 2014 and was formerly managed and operated by the Regal Group. In August 2017, the Regal Group entered into a lease agreement for the leasing of the hotel property to an independent third party for a term till August 2029, of which the lease period to August 2023 is fixed and mandatory on both parties. The lease agreement has formally commenced on 1 September 2017 and is yielding satisfactory rentals. The hotel is now renamed as Campus La Mola.

### **Regal REIT**

As at 31 December 2017, the Regal Group continued to hold approximately 74.6% of the total outstanding issued units of Regal REIT while Regal Portfolio Management Limited, a wholly-owned subsidiary of the Regal Group, acts as the manager of the Regal REIT.



For the year ended 31 December 2017, Regal REIT recorded a consolidated profit before distributions to unitholders of HK\$2,488.3 million, as compared to the profit of HK\$564.0 million for the financial year 2016. The consolidated profit recorded for 2017 included a fair value gain of HK\$2,044.2 million arising from the increase in the appraised values of the hotel properties in Hong Kong owned by Regal REIT as investment properties, after offsetting the additional capital expenditures for the year, while for the financial year 2016, the corresponding fair value gain was only HK\$91.3 million. If the effects of the fair value changes are excluded, the core profit before distributions to unitholders for the year ended 31 December 2017 would amount to HK\$444.1 million, as compared to HK\$472.7 million for the preceding year.

Apart from the five initial Regal hotels, Regal REIT is gradually building up a separate portfolio of iclub hotels, a select service hotel brand that is being developed by the Regal Group. Including the latest addition of the iclub Ma Tau Wai Hotel, Regal REIT now owns a total of four iclub hotels operating in Hong Kong.

With the exception of the iclub Wan Chai Hotel, which is being self-operated by Regal REIT, and the iclub Ma Tau Wai Hotel, which is under a lease to the Regal Group's wholly-owned lessee for a term of 5 years with escalating fixed rentals, all the initial Regal hotels and the two other iclub hotels are presently under leases to the same lessee of the Regal Group based on market rental packages to be determined annually.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong, which is self-operated by Regal REIT and also managed by a subsidiary of the Regal Group. The iclub Wan Chai Hotel has always enjoyed very high occupancies and additional focus has been placed on yield enhancement. Although the year-round average occupancy of 95.3% maintained by this hotel in 2017 was slightly below the 98.5% attained in 2016, the average room rate has increased by 6.3%, with revenue per available room consequently improving by 2.8% year-on-year.

In September 2017, Regal REIT completed the acquisition of the iclub Ma Tau Wai Hotel in Kowloon from P&R at a consideration of HK\$1,360 million, following satisfaction of all the requisite conditions precedent. The iclub Ma Tau Wai Hotel is a new hotel with 340 guestrooms which commenced business operations in May 2017 and is the fourth iclub hotel owned by Regal REIT. The iclub Ma Tau Wai Hotel carries the benefit of a lease to the Regal Group's lessee for a term of 5 years with escalating fixed rentals at an average yield of 4.5% per annum which, in turn, assures Regal REIT with stable returns during the hotel's startup period. The lease will be extendable at the option of Regal REIT up to 31 December 2027, with rentals to be based on annual market rental reviews.

Regal REIT has recently concluded in March 2018 a bilateral financing arrangement for a 5-year term loan in the principal amount of HK\$3.0 billion, which is principally secured by a mortgage over the Regal Kowloon Hotel. This term loan was arranged mainly for the purpose of financing the repayment of the two medium term notes due in March and May, respectively, in 2017. Based on the interest spread under the new term loan and the current Hong Kong Interbank Offered Rate (HIBOR), as compared to the coupon rates under the two medium term notes, it is expected there will be substantial savings on Regal REIT's future financing costs.

**Hotel operations**

Favour Link International Limited, a wholly-owned subsidiary of Regal, is the lessee operating the eight Regal hotels and iclub hotels under leases from Regal REIT.

The five initial Regal hotels have achieved during the year positive improvements in their operating results. Their combined average occupancy rate in 2017 was 87.4%, as compared to 86.0% last year, while their combined average room rate increased by 4.8%, resulting in an enhancement of 6.5% year-on-year in terms of revenue per available room, which outperformed the industry average. Total hotel revenue from the five initial Regal hotels in 2017 amounted to HK\$1,967.0 million, as compared to HK\$1,864.4 million in 2016. The total net property income generated by these hotels for the year amounted to HK\$807.3 million, which was 4.7% higher than the HK\$770.9 million in 2016. This represented an excess of HK\$74.3 million over the aggregate annual base rent of HK\$733.0 million for the year and 50% of such excess was attributable to Regal REIT as variable rent. For the year 2018, the aggregate annual base rent for the five initial Regal hotels is HK\$751.0 million, which represents an increment of HK\$18.0 million as compared to 2017, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income over the aggregate base rent.

The first three years of the lease terms with escalating fixed annual rentals for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel ended in February and July 2017, respectively. Their rental packages are now being determined annually by an independent professional property valuer. In accordance with the terms of the agreed arrangements with P&R when the leases for these two hotels were entered into by the Regal Group's lessee, the Regal Group received from P&R during the year an aggregate sum of HK\$273.4 million in reimbursement of the rental expenses (net of hotel operating income) for their initial 3-year terms, the impact of which has been reflected in the consolidated financial statements of the Regal Group for 2017. During the year ended 31 December 2017, the operating performances of these two iclub hotels have shown substantial improvement. Their combined annual average occupancy was 91.6%, 2.5 percentage points above the level in 2016, while their combined average room rate was enhanced by 5.9% year-on-year. Under the market rental reviews conducted for the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, the base rents for 2018 have been determined to be HK\$42.0 million and HK\$42.4 million, respectively, with variable rent basing on 50% sharing of the excess of the net property income over the base rent.

As mentioned above, the iclub Ma Tau Wai Hotel has also been leased to the Regal Group's lessee for hotel operation. Similar to the previous arrangements with the two other iclub hotels, P&R, as the vendor of the iclub Ma Tau Wai Hotel, has agreed to reimburse to the Regal Group's lessee any shortfall of the total cumulative net income from the hotel below the total cumulative payments (including rent) payable by the Regal Group's lessee under the lease for the initial 5-year term with escalating fixed rentals, but in this case, on an annual basis. Although still in its early stage of operation, this hotel has managed to attain satisfactory performance, with average occupancy in 2017, since its acquisition by Regal REIT in September, maintained at 88.1%.

**Hotel management**

Regal Hotels International Limited, the wholly-owned management arm of the Regal Group, is the hotel manager providing services to nine operating Regal and iclub hotels in Hong Kong. The three other hotels in Hong Kong coming on stream, which are intended to be named as the iclub Mong Kok Hotel, the iclub Soho Hotel and the Regala Skycity Hotel, respectively, will also be managed by the Regal Group.

In other China cities outside Hong Kong, the Regal Group is managing a total of nine operating Regal and iclub hotels, including four in Shanghai, two in Dezhou and one in Xi'an, Foshan and Zhengzhou, respectively. The 186-room iclub Yuhong Hotel in Zhengzhou, opened in February 2016, was the first hotel managed by the Regal Group under the iclub by Regal brand in China. Three other hotels to be managed by the Regal Group are in the pipeline, covering strategic locations in Chengdu, Jiangmen and Kunshan.

The Regal Group believes that the continuing expansion of the hotel management businesses in China will further strengthen the recognition of the Regal brand and promote reciprocal businesses among the Regal Group's different hotels.

**Properties**

The Regal Group holds a 50% joint venture interest in P&R. In addition, the Regal Group has also been undertaking through its wholly-owned subsidiaries property developments in Hong Kong, including the development properties at Queen's Road West, Hong Kong and the new airport hotel development project at the Hong Kong International Airport through the tender award from the Airport Authority, both acquired in 2017.

During the year, the Regal Group completed the disposal of one garden house in Regalia Bay, Stanley which was held for sale. The Regal Group still retains a total of 14 garden houses in Regalia Bay, 8 of which are held as investment properties, 3 as held for sale and the other 3 as fixed assets.

**Other Investments**

The Regal Group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products. The Regal Group also directly held within this portfolio significant investment in the issued shares of Cosmopolitan. Benefiting from the buoyant capital and securities market in Hong Kong and globally, the Regal Group recorded substantial fair value gains on its financial assets portfolio during the year, which have been reflected in its results under review.

In December 2017, the Regal Group completed the process for the acquisition of a mid-life Airbus 319 model aircraft, which is under an operating lease to an airline operator flying European routes. At present, the Regal Group owns a fleet of 13 aircraft (including one aircraft which is 85% owned), of which 2 aircraft were on operating leases, 6 aircraft on finance leases and 4 aircraft pending re-lease or disposal. The one remaining aircraft, an Airbus A321-200 aircraft, has been repossessed from the lessee in February 2017 and a letter of intent already entered into for its

disposal. In order to further replenish its aircraft fleet, the Regal Group entered into agreement in February 2018 for the acquisition of two Airbus A320-232 passenger aircraft which are under leases to a major international airline operator. These two purchase agreements are expected to be completed by the end of April 2017.

### 3.2.3 COSMOPOLITAN

For the year ended 31 December 2017, Cosmopolitan attained a profit attributable to shareholders in the amount of HK\$13.7 million, as compared to a loss of HK\$115.3 million recorded for the preceding financial year. The profit for the year was principally attributable to the realised profits from the sale of the residential units in its composite development project in Chengdu, the PRC completed before the end of 2017 and, in addition, fair value gains on its financial assets and the write-back of impairment loss previously provided on certain component part in the Chengdu development project.

Presently, the core business of the Cosmopolitan Group is mainly focused on the two development projects in Chengdu, Sichuan Province and in Tianjin, China.

For 2017, the economy in China expanded by 6.9 percent, which was higher than the previous forecast by most analysts, reflecting the positive effects of the continued fiscal support and economic reforms. The property market in China on the whole remained steady in 2017, with the transacted volume of the real estate commodities likely to set another new record. Property prices maintained a moderate uptrend, with the market in the third to fourth tier cities performing better than expected, due to the spill-over of buying demands from the prime cities.

In the wake of the various fiscal and administrative policies promulgated by the government authorities during the latter part of 2017 to curb speculative activities, the aggregate volume of property sales in 2018 would likely be suppressed. However, as the level of inventories held for sale in some of the first and second tier cities is now relatively low, a major downward adjustment in the property prices is not anticipated. To meet the strong underlying demand for residential accommodation in the prime cities, the central government is promoting the development of the leasing property sector, in an aim to building up a stable and healthy property market in China in the long term.

The Cosmopolitan Group's two composite development projects in China, namely, the Regal Cosmopolitan City in Chengdu and the Regal Renaissance in Tianjin, are both progressing steadily.

The nine residential towers comprising 1,296 residential units in the first and second stages of the Chengdu project have been completed, of which 1,258 units have been sold for aggregate sale proceeds of RMB828 million (HK\$1,030 million). Most of the units sold have been handed over to the purchasers before 31 December 2017 and the profits therefrom accounted for in the results for the year ended 31 December 2017. As the sale prices of the units presold in the early stages of the sale programme were at comparatively low levels, the profits so far recorded on the units sales have been relatively modest. The other parts of the development, including a hotel, commercial and office space and ten residential towers comprising 1,555 units are proceeding as planned.

In the meanwhile, the construction works of the four residential towers, the commercial complex and the associated car parking spaces in the Tianjin project have recently been completed. Of the total 512 units comprised in the four residential towers, 479 units have been presold to date, securing contracted sales of RMB1,498 million (HK\$1,863 million). The presold residential units are being handed over to the individual purchasers. The profits to be derived from the sales of these units will be accounted for in the first half of 2017 after the handover process is completed.

The Cosmopolitan Group has disposed of the 60% interest previously held in a logistics group operating in Shanghai in June 2017. The convertible bonds in the aggregate nominal amount of HK\$57.05 million, which were issued by the Cosmopolitan Group as part consideration for its acquisition of the 60% interest, have been converted into ordinary shares of Cosmopolitan before the year end in 2017.

### **3.3 CAPITAL RESOURCES AND FUNDING**

#### **Funding and Treasury Policy**

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 and proceeds from the presale of the units. Project financing for the projects in the PRC may be arranged in local currency on appropriate terms 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.

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 are 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 Century City Group's management from time to time. As the Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards Century City Group's overseas investments and investments in the PRC which are based in currencies other than US dollar and Hong Kong dollar, Century City Group will consider hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain Century City Group's exposure to currency fluctuation.

#### **Cash flows**

Net cash flows generated from operating activities during the year ended 31 December 2017 amounted to HK\$112.1 million (2016 - HK\$1,278.1 million). Net interest payment for the year amounted to HK\$306.5 million (2016 - HK\$202.5 million).

**Borrowings and gearing**

As at 31 December 2017, Century City Group had cash and bank balances and deposits of HK\$5,039.2 million (2016 - HK\$5,319.1 million) and Century City Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$13,013.9 million (2016 - HK\$11,145.0 million).

As at 31 December 2017, the gearing ratio of Century City Group was 28.2% (2016 - 26.5%), representing Century City Group's borrowings net of cash and bank balances and deposits of HK\$13,013.9 million (2016 - HK\$11,145.0 million), as compared to the total assets of Century City Group of HK\$46,100.5 million (2016 - HK\$41,982.1 million).

On the basis of the adjust total assets as at 31 December 2017 of HK\$53,070.3 million (2016 - HK\$46,284.1 million) with the hotel portfolio owned by the Regal Group in Hong Kong restated at its market value, the gearing ratio would be 24.5% (2016 - 24.1%).

Details of the maturity profile of the borrowings of Century City Group as of 31 December 2017 are as follows.

*Interest bearing bank borrowings*

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<i>Maturity</i>	<i>HK\$'million</i>	<i>Maturity</i>	<i>HK\$'million</i>
<b>Current</b>				
Bank loans – secured	2018	4,251.6	2017	992.8
<b>Non-current</b>				
Bank loans – secured	2019-2021	<u>9,142.0</u>	2018-2021	<u>8,560.4</u>
		<u>13,393.6</u>		<u>9,553.2</u>
		<b>31 December 2017</b>	<b>31 December 2016</b>	
		<i>HK\$'million</i>	<i>HK\$'million</i>	
Analysed into:				
Bank loans repayable:				
Within one year		4,251.6		992.8
In the second year		1,736.7		2,389.7
In the third to fifth years, inclusive		<u>7,405.3</u>		<u>6,170.7</u>
		<u>13,393.6</u>		<u>9,553.2</u>

On 12 September 2016, Regal REIT group through wholly-owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into the 2016 IH Facilities for a term of five years to September 2021. The term loan portion of the 2016 IH Facilities was wholly drawn in September 2016 to repay the previous term loan facilities of the same amount, which was originally due to mature in July 2018 and bore a higher interest margin; while the revolving loan portion was intended for general corporate funding purposes of Regal REIT group. Moreover, the 2016 IH Facilities are secured by four of the five initial hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 31 December 2017, the 2016 IH Facilities had an outstanding term loan facility of HK\$4,500.0 million and a drawn down on the revolving loan of HK\$877.0 million.

On 22 December 2014, the 2014 WC Facility was entered into, for a term of five years to December 2019 by Sonnix Limited, a wholly owned subsidiary of Regal REIT group. The 2014 WC Facility, secured by the iclub Wan Chai Hotel, was fully drawn in December 2014. As at 31 December 2017, the outstanding amount of the 2014 WC Facility was HK\$440.0 million, representing the full amount of the term loan facility.

On 10 February 2014, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the “**2014 SW Facilities**”), secured by the iclub Sheung Wan Hotel. The 2014 SW Facilities have a term of five years to February 2019. As at 31 December 2017, the utilised 2014 SW Facilities was HK\$632.0 million, representing the full amount of the term loan facility.

On 28 July 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (the “**2014 FH Facilities**”), secured by the iclub Fortress Hill Hotel. The 2014 FH Facilities have a term of five years to July 2019. As at 31 December 2017, the utilised 2014 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4 September 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged for a term loan facility of HK\$748.0 million (the “**2017 MTW Facility**”), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. As at 31 December 2017, the outstanding amount of the 2017 MTW Facility was HK\$748.0 million, representing the full amount of the term loan facility.

At 31 December 2017, the outstanding loan facilities of Regal REIT group bear interest at HIBOR plus an interest margin ranging from 0.95% to 1.45% per annum (2016 - ranging from 1.15% to 1.45% per annum).

Bank borrowings under the 2016 IH Facilities, the 2014 WC Facility, the 2014 SW Facilities, the 2014 FH Facilities and the 2017 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group's interest bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

At 31 December 2017, Century City Group's other bank borrowings bear interest at HIBOR plus an interest margin ranging from 0.75% to 1.50% per annum (2016 - HIBOR plus 1.5% to 1.75% per annum) except for a bank loan of HK\$72.2 million (2016 - Nil) which bears interest at London Inter Bank Offered Rate plus an interest margin of 0.75% per annum and bank loans of HK\$392.9 million (2016 - HK\$18.0 million) which bear interest at the bank's cost of fund plus an interest margin from 0.75% to 0.8% per annum (2016 - bank's cost of fund plus 0.75% per annum).

At 31 December 2017, all interest bearing bank borrowings are denominated in Hong Kong dollars except for bank loans of HK\$310.1 million (2016 - Nil) which are denominated in United States dollars, bank loans of HK\$40.9 million (2016 - HK\$18.0 million) which are denominated in Euro and a bank loan of HK\$7.8 million (2016 - Nil) which is denominated in Japanese Yen.

Century City Group's bank borrowings are secured by a pledge over certain assets of Century City Group.



*Other borrowings*

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>
<b>Current</b>		
Other borrowings - unsecured	1,945.8	2,258.5
<b>Non-current</b>		
Other borrowings - unsecured	<u>2,713.7</u>	<u>4,621.3</u>
	<u>4,659.5</u>	<u>6,879.8</u>
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>
Analysed into:		
Other borrowings repayable:		
Within one year	1,945.8	2,258.5
In the second year	–	1,933.3
In the third to fifth years, inclusive	<u>2,713.7</u>	<u>2,688.0</u>
	<u>4,659.5</u>	<u>6,879.8</u>

On 5 October 2012, RH International, a wholly owned subsidiary of Regal, established the MTN Programme.

On 19 October 2012, the RH International issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$300.0 million at a coupon interest rate of 4.25% per annum. The notes were issued at a discount at 99.444% of the principal amount. The notes were fully repaid during the year.

On 20 July 2016, the RH International issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

On 11 January 2013, the Regal REIT MTN Issuer, a wholly owned subsidiary of Regal REIT, established the Regal REIT MTN Programme.

On 22 March 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of Hong Kong dollar denominated senior unsecured 5-year term notes in the aggregate nominal principal amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum. The notes were issued at a discount at 99.44% of the principal amount. Subsequent to the end of the reporting period, the Regal REIT MTN Issuer repaid the notes on 22 March 2018.

On 22 May 2013, the Regal REIT MTN Issuer issued under the Regal REIT MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$150.0 million at a coupon interest rate of 4.10% per annum. The notes were issued at a discount at 99.553% of the principal amount.

#### *Convertible bonds*

As at 31 December 2016, Cosmopolitan and its subsidiaries (the “Cosmopolitan Group”) issued two tranches of convertible bonds to a then non-controlling shareholder which were fully converted into new ordinary shares of Cosmopolitan during the year. Further details of the convertible bonds are set out as follows:

#### *CB 2020A and CB 2020B*

On 31 May 2016, Apex Team Limited, a wholly owned subsidiary of Cosmopolitan, issued convertible bonds with the principal amounts of HK\$23.8 million (“**CB 2020A**”) and HK\$33.3 million (“**CB 2020B**”) with a maturity date on 31 May 2020 as part of the considerations for a business acquisition.

Both CB 2020A and CB 2020B bore no coupon interest and were unsecured.

The holders of CB 2020A and CB 2020B were entitled to convert the convertible bonds into ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.35 per share (subject to adjustment) at any time from 7 June 2016 to 24 May 2020. Based on the initial conversion price, CB 2020A and CB 2020B were convertible into a maximum of approximately 68,000,000 and 95,000,000 ordinary shares of Cosmopolitan, respectively. If any of the convertible bonds had not been converted, they would be redeemed on the maturity date at 100% of their outstanding principal amounts.

The convertible bonds contained two components: equity component and liability component. The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount was assigned as the equity component and was included in reserve. The effective interest rate of the liability component of the convertible bonds was 8.68%.

During the year ended 31 December 2017, CB 2020B and CB 2020A were fully converted into 95,000,000 and 68,000,000 new ordinary shares of Cosmopolitan, respectively, on 17 July 2017 and 13 November 2017.

The movements of the equity component and liability component of the convertible bonds are as follows:

	<b>Equity component HK\$'million</b>	<b>Liability component HK\$'million</b>	<b>Total HK\$'million</b>
At 1 January 2016	–	–	–
Issue of convertible bonds arising from acquisition of subsidiaries	13.4	29.0	42.4
Interest expenses	–	2.1	2.1
At 31 December 2016 and 1 January 2017	13.4	31.1	44.5
Derecognition of embedded derivative upon disposal of subsidiaries	–	11.9	11.9
Interest expenses	–	2.5	2.5
Conversion during the year	(13.4)	(45.5)	(58.9)
At 31 December 2017	–	–	–

### Pledge of assets

As at 31 December 2017, certain of Century City Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$27,144.0 million (2016 - HK\$20,405.4 million) were pledged to secure general banking facilities granted to Century City Group as well as bank guarantees procured by 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 2017, certain ordinary shares in a listed subsidiary with a market value of HK\$536.8 million (2016 - HK\$370.7 million) were also pledged to secure general banking facilities granted to Century City Group.

### Capital Commitments

As at 31 December 2017, Century City Group had capital commitments contracted, but not provided for, property development projects of approximately HK\$1,830.4 million.

### Contingent Liabilities

A subsidiary of the Cosmopolitan Group is currently a defendant in certain outstanding litigation claims relating to the re-forestation project located in Xinjiang in the PRC. Based on the advice from the Cosmopolitan Group's legal counsel, the litigation claims are pending verification and/or the Cosmopolitan Group has good grounds of defense against the allegations. Accordingly, the Directors consider that it is appropriate to disclose such claims in an aggregate amount of approximately RMB8.2 million (HK\$9.9 million) (2016 - RMB9.6 million (HK\$10.6 million)) as contingent liabilities and no provision has been made in the financial statements.

In addition, at the end of the reporting period, the Cosmopolitan Group has provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB356.0 million (HK\$427.0 million) (2016 - RMB171.0 million (HK\$190.1 million)). The Cosmopolitan Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

### 3.4 Material acquisitions or disposals of subsidiaries or associates

#### Disposal of Logistics Group

As mentioned in the 2016 Annual Report, the Cosmopolitan Group entered into a framework agreement in January 2016 to acquire 60% effective interests in a group of companies (the "**Logistics Group**") operating logistics and related business in the PRC and the remaining 40% interests in the Logistics Group was held by an affiliate of the seller (the "**JV Partner**"). The acquisition was completed in May 2016 and as consideration therefor, the Cosmopolitan Group issued convertible bonds in the aggregate principal amount of HK\$57.05 million.

Having operated the logistics business for a period of about one year and after undertaking a review of all relevant circumstances including, in particular, the performance and development progress of the Logistics Group and the difference in the management style of the joint venture parties, the Cosmopolitan Group agreed, after amicable negotiations with the JV Partner, to accept his proposal to buy back the Cosmopolitan Group's interest in the Logistics Group.

Accordingly, on 30 June 2017, the Cosmopolitan Group entered into a deed of arrangement with the JV Partner for the disposal of its entire interests in the Logistics Group for an aggregate consideration of HK\$71.0 million, details of which were disclosed in the circular of the Cosmopolitan dated 18 August 2017. The Cosmopolitan Group received HK\$45.6 million in cash upon completion of the disposal on 30 June 2017. The balance of the consideration in the sum of HK\$25.4 million was also received by the Cosmopolitan Group in the second half of 2017. The Cosmopolitan Group ceased to have any interest in the Logistics Group after completion of the related transactions. The aforesaid convertible bonds were converted into ordinary shares of Cosmopolitan before the year end in 2017.

The disposal was completed on 30 June 2017 and the companies under the Logistics Group then ceased to be subsidiaries of Century City Group.

#### **Acquisition of 50% interest in Prosper Harvest Investments Limited by P&R**

On 23 May 2017, a sale and purchase agreement (“**S&P Agreement 1**”) was entered into between Dragon Pier Investments Limited as the seller and P&R as the purchaser, relating to the acquisition of the other 50% equity interest in Prosper Harvest Investments Limited (“**Prosper Harvest**”), in which P&R held 50% equity interest, held by the seller at a consideration of HK\$165.7 million (the “**Prosper Harvest Acquisition**”). Upon completion of the Prosper Harvest Acquisition, Prosper Harvest became a wholly-owned subsidiary of P&R. The principal asset of Prosper Harvest is its interest in the iclub Ma Tau Wai Hotel located at No.8 Ha Heung Road, To Kwa Wan, Kowloon (the **Ma Tau Wai Hotel**) held through its wholly-owned subsidiaries. The Ma Tau Wai Hotel has commenced operation under the “iclub by Regal (富薈酒店)” brand.

The consideration of HK\$165.7 million was determined after taking into account the value of the Ma Tau Wai Hotel with reference to its location and specifications and the market conditions regarding the hotel and tourism industry in Hong Kong, the shareholder loan (the “**Prosper Harvest Shareholder Loan**”) owing by Prosper Harvest to P&R on date of completion of the S&P Agreement 1, and the terms of the possible transactions under the Letter of Intent (as defined in the next paragraph). Further details relating to the S&P Agreement 1 and the Letter of Intent (as defined in the next paragraph) were disclosed in the joint announcement of Century City dated 23 May 2017.

#### **Disposal of 100% interest in Prosper Harvest Investments Limited by P&R to Regal Real Estate Investment Trust**

On 23 May 2017, P&R and Regal Portfolio Management Limited (in its capacity as manager of Regal REIT) executed a letter of intent (the “**Letter of Intent**”) setting out the principal terms of the possible disposal of the entire share capital of Prosper Harvest and the Prosper Harvest Shareholder Loan by P&R to Regal REIT or its designated wholly-owned subsidiary.

On 29 June 2017, a sale and purchase agreement (“**S&P Agreement 2**”) was entered into between P&R as vendor and DB Trustee (Hong Kong) Limited (in its capacity as trustee of Regal REIT) (the “**DB Purchaser**”), in relation to (i) the disposal of the entire issued share capital of Prosper Harvest; and (ii) the assignment of the Prosper Harvest Shareholder Loan to the DB Purchaser, for a consideration of HK\$1,360 million (the “**Prosper Harvest Transaction**”). The consideration was determined after arm’s length negotiation between the parties taking into account, among others, the valuation of the Ma Tau Wai Hotel of HK\$1,400 million as of 23 June 2017 as appraised by an independent property valuer, the Prosper Harvest Shareholder Loan and that the Prosper Harvest group shall not have any liabilities other than the Prosper Harvest Shareholder Loan at completion of the S&P Agreement 2, and the previous transactions under the Acquisition.

The Prosper Harvest Transaction under the S&P Agreement 2 was subject to the approval of the independent shareholders of Regal and that of the unitholders of Regal REIT. The S&P Agreement 2 was approved by the independent unitholders of Regal REIT at an extraordinary general meeting held on 20 July 2017. A special general meeting of Regal was held on 28 August 2017 to seek its independent shareholders' approval for the S&P Agreement 2. After completion of the S&P Agreement 2, Prosper Harvest continues to be a subsidiary of Century City, but held through the Regal Group instead. Further details relating to the S&P Agreement 2 were disclosed in the joint announcement of Century City dated 30 June 2017.

Save as disclosed above, during 2017, there were no other material acquisitions or disposals of subsidiaries or associates of Century City for the year ended 31 December 2017.

### **3.5 Staff and remuneration policy**

Century City Group employed approximately 2,330 staff in Hong Kong and the PRC. Century City Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with 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 Century City Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

**1. PUBLISHED FINANCIAL INFORMATION OF AMTD FOR EACH OF THE YEAR ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2018 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

*For the purpose of this section only, terms used below shall have the same meanings set forth in the AMTD Prospectus or the interim financial results of AMTD for the nine months ended 30 September 2019 dated 31 December 2019, as the case may be.*

1. The following is an extract of the audited financial statements of AMTD for the year ended 31 December 2017 and 2018, which were prepared in accordance with IFRS, from the AMTD Prospectus.

**AMTD INTERNATIONAL INC.  
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018**

	<i>Notes</i>	<b>2017</b>	<b>2018</b>
		<i>HK\$</i>	<i>HK\$</i>
REVENUE			
Fee and commission income		278,976,203	367,538,115
Dividend and gain related to disposed investment		<u>69,508,298</u>	<u>99,227,724</u>
		348,484,501	466,765,839
Net fair value changes on financial assets at fair value through profit or loss		<u>684,679,252</u>	<u>256,460,295</u>
		1,033,163,753	723,226,134
Other income	5	17,914,166	15,392,775
Operating expenses, net	6	(111,563,188)	(52,582,107)
Staff costs	7	(102,204,502)	(68,024,513)
Finance costs	8	<u>(28,724,758)</u>	<u>(9,047,063)</u>
PROFIT BEFORE TAX		808,585,471	608,965,226
Income tax expense	9	<u>(135,213,625)</u>	<u>(83,839,597)</u>
<b>PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>673,371,846</u></u>	<u><u>525,125,629</u></u>

	<i>Note</i>	<b>2017</b> <i>HK\$</i>	<b>2018</b> <i>HK\$</i>
<b>Attributable to:</b>			
Owners of the parent		568,266,428	468,061,079
Non-controlling interests		<u>105,105,418</u>	<u>57,064,550</u>
		<u>673,371,846</u>	<u>525,125,629</u>
EARNINGS PER SHARE ATTRIBUTABLE TO CLASS B ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted, profit for the year attributable to			
Class B ordinary equity holders of the parent	10	<u>2.84</u>	<u>2.34</u>

The accompanying notes are an integral part of the consolidated financial statements.



**AMTD INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT JANUARY 1, 2017, DECEMBER 31, 2017 AND 2018**

	<i>Notes</i>	<b>January 1, 2017 HK\$</b>	<b>December 31, 2017 HK\$</b>	<b>December 31, 2018 HK\$</b>
<b>Assets</b>				
<b>Current assets</b>				
Accounts receivable	11	93,003,365	93,172,716	161,093,054
Prepayments, other receivables and other assets	12	19,434,228	23,203,443	33,343,859
Due from a related company	23(b)(iii)	1,988,101	4,092,519	4,085,019
Due from immediate holding company	23(b)(i)	25,933,563	–	66,141,756
Due from fellow subsidiaries	23(b)(i)	1,256,262,495	2,458,702,841	2,596,118,859
Financial assets at fair value through profit or loss	13	989,728,800	745,629,400	1,953,078,309
Stock loan	13	–	2,203,140,000	1,535,679,600
Tax recoverable		–	8,146,249	–
Cash and bank balances – general accounts	14	69,509,827	86,415,282	126,855,518
Bank balances – segregated accounts	14	<u>363,109,017</u>	<u>403,491,699</u>	<u>615,491,200</u>
Total current assets		<u>2,818,969,396</u>	<u>6,025,994,149</u>	<u>7,091,887,174</u>
<b>Non-current assets</b>				
Property, plant and equipment	15	692,261	451,833	131,206
Intangible assets	16	<u>15,171,170</u>	<u>15,171,170</u>	<u>15,171,170</u>
Total non-current assets		<u>15,863,431</u>	<u>15,623,003</u>	<u>15,302,376</u>
Total assets		<u>2,834,832,827</u>	<u>6,041,617,152</u>	<u>7,107,189,550</u>

	<i>Notes</i>	<b>January 1, 2017 HK\$</b>	<b>December 31, 2017 HK\$</b>	<b>December 31, 2018 HK\$</b>
<b>Equity and liabilities</b>				
<b>Current liabilities</b>				
Clients' monies held on trust		339,791,599	383,304,389	586,891,255
Accounts payable	17	2,413,353	7,128,142	15,310,871
Margin loans payable	18	638,350,783	351,609,630	321,999,549
Other payables and accruals	19	9,579,790	6,516,678	80,123,688
Due to fellow subsidiaries	23(b)(i)	95,368,418	853,123,095	574,202,907
Due to immediate holding company	23(b)(i)	1,381,888,789	1,640,450,071	2,145,792,209
Tax payable		<u>14,195,803</u>	<u>–</u>	<u>25,109,794</u>
Total current liabilities		<u>2,481,588,535</u>	<u>3,242,132,005</u>	<u>3,749,430,273</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	20	<u>17,239,669</u>	<u>130,208,677</u>	<u>163,357,177</u>
Total liabilities		<u>2,498,828,204</u>	<u>3,372,340,682</u>	<u>3,912,787,450</u>
<b>Equity</b>				
Share capital	21	156,998	156,998	156,998
Capital reserve	21	33,333,003	1,312,802,675	1,312,802,676
Retained profits		<u>302,514,622</u>	<u>870,781,050</u>	<u>1,338,842,129</u>
Total ordinary shareholders' equity		336,004,623	2,183,740,723	2,651,801,803
Non-controlling interests		<u>–</u>	<u>485,535,747</u>	<u>542,600,297</u>
Total equity		<u>336,004,623</u>	<u>2,669,276,470</u>	<u>3,194,402,100</u>
Total liabilities and equity		<u>2,834,832,827</u>	<u>6,041,617,152</u>	<u>7,107,189,550</u>

The accompanying notes are an integral part of the consolidated financial statements.

**AMTD INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018**

	Attributable to owners of the parent				Non- controlling interests	Total equity
	Share capital	Capital reserve	Retained profits	Total		
	HK\$	HK\$	HK\$	HK\$		
At January 1, 2017	156,998	33,333,003	302,514,622	336,004,623	–	336,004,623
Capital injection to a subsidiary	–	1	–	1	–	1
Deemed contributions	–	1,279,469,671	–	–	380,430,329	1,659,900,000
Profit for the year and total comprehensive income for the year	–	–	568,266,428	568,266,428	105,105,418	673,371,846
At December 31, 2017	<u>156,998</u>	<u>1,312,802,675</u>	<u>870,781,050</u>	<u>2,183,740,723</u>	<u>485,535,747</u>	<u>2,669,276,470</u>
At January 1, 2018	156,998	1,312,802,675	870,781,050	2,183,740,723	485,535,747	2,669,276,470
Capital injection to a subsidiary	–	1	–	1	–	1
Profit for the year and total comprehensive income for the year	–	–	468,061,079	468,061,079	57,064,550	525,125,629
At December 31, 2018	<u><u>156,998</u></u>	<u><u>1,312,802,676</u></u>	<u><u>1,338,842,129</u></u>	<u><u>2,651,801,803</u></u>	<u><u>542,600,297</u></u>	<u><u>3,194,402,100</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

**AMTD INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018**

	<i>Notes</i>	<b>2017</b> <i>HK\$</i>	<b>2018</b> <i>HK\$</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		808,585,471	608,965,226
Adjustments for:			
Interest income	5	(158,863)	(7,681)
Finance costs	8	28,724,758	9,047,063
Depreciation	6	379,132	334,841
Dividend income	5	(22,564,600)	(99,227,724)
Gain related to disposed investment	5	(46,943,698)	–
Net fair value changes on financial assets at fair value through profit or loss	5	<u>(684,679,252)</u>	<u>(256,460,295)</u>
		83,342,948	262,651,430
Increase in accounts receivable		(169,351)	(67,920,338)
Increase in prepayments, other receivables and other assets		(3,769,215)	(10,140,416)
(Increase)/decrease in due from a related company		(2,104,418)	7,500
Decrease in accounts and other payables and accruals		1,651,677	81,789,739
Increase/(decrease) in clients' monies held on trust		3,130,108	(8,412,635)
Increase in amount with immediate holding company		284,494,845	439,200,382
Decrease in amount with fellow subsidiaries		(460,296,468)	(699,864,420)
Decrease in financial assets at fair value through profit or loss		<u>199,909,698</u>	<u>–</u>
Cash from/(used in) operations		106,189,824	(2,688,758)
Profits tax paid		(44,586,669)	(17,435,053)
Dividend received		22,564,600	99,227,724
Interest received		<u>158,863</u>	<u>7,681</u>
Net cash flows from operating activities		<u>84,326,618</u>	<u>79,111,594</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment	15	<u>(138,704)</u>	<u>(14,214)</u>
Net cash flows used in investing activities		<u>(138,704)</u>	<u>(14,214)</u>

**APPENDIX III****FINANCIAL INFORMATION OF AMTD**

	<b>2017</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of margin loan	(38,557,701)	(29,610,081)
Finance costs paid	<u>(28,724,758)</u>	<u>(9,047,063)</u>
Net cash flows used in financing activities	<u>(67,282,459)</u>	<u>(38,657,144)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of year	16,905,455	40,440,236
	<u>69,509,827</u>	<u>86,415,282</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
	<u>86,415,282</u>	<u>126,855,518</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u>86,415,282</u>	<u>126,855,518</u>

The accompanying notes are an integral part of the consolidated financial statements.

**AMTD INTERNATIONAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018**

### 1.1 CORPORATE INFORMATION

AMTD International Inc. (the “Company”) (formerly known as AMTD Inc.) is a limited liability company incorporated in the Cayman Islands on February 4, 2019.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) is involved in the investment banking, provision of investment advisory services, assets management and strategic investments.

As at December 31, 2018, the Company’s immediate holding company was AMTD Group Company Limited (“AMTD Group”), a private company incorporated in the British Virgin Islands (“BVI”). The directors consider that the Company’s ultimate holding company was L.R. Capital Management Company (Cayman) Limited, a private company incorporated in the Cayman Islands.

#### Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation	Issued and registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
AMTD International Holding Group Limited (formerly known as AMTD Financial Planning Limited) (“AMTD IHG”)	Hong Kong (“HK”)	HK\$500,000	100%	–	Investment holding
AMTD Securities Limited	HK	HK\$1	–	100%	Investment holding
AMTD Global Markets Limited (formerly known as AMTD Asset Management Limited) (“AMTD GM”)	HK	HK\$1,561,610,980	–	100%	Provision of fund raising, financial advisory and asset management services
Asia Alternative Asset Partners Limited (“AMTD AAAPL”)	HK	HK\$5,000,000	–	100%	Provision of investment advisory services
AMTD Strategic Investment Limited (“AMTD SI”)	HK	HK\$1	–	79.13%	Investment holding
AMTD Investment Solutions Group Limited (“AMTD ISG”)	HK	HK\$1	–	79.13%	Investment holding

Name	Place of incorporation	Issued and registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
AMTD Overseas Limited (formerly known as AMTD Europe Holdings Limited) ("AMTD Overseas")	HK	HK\$1	–	100%	Investment holding
AMTD Fintech Investment Limited ("AMTD FI")	HK	HK\$1	–	100%	Investment holding
AMTD Investment Inc. ("AMTD Investment")	Cayman Islands	US\$1	100%	–	Investment holding
AMTD Strategic Investment (BVI) Limited	BVI	US\$1	–	100%	Investment holding
AMTD Investment Solutions Group (BVI) Limited	BVI	US\$1	–	100%	Investment holding
AMTD Overseas (BVI) Limited	BVI	US\$1	–	100%	Investment holding
AMTD Fintech Investment (BVI) Limited	BVI	US\$1	–	100%	Investment holding

## 1.2 REORGANIZATION

In order to facilitate the Company's initial public offering, AMTD Group completed a series of reorganization transactions (the "Reorganization") whereby, each of the operating and holding entities under AMTD Group's common control, were ultimately contributed to the Company:

- On February 8, 2019, AMTD Investment was incorporated in Cayman Islands and directly held by the Company;
- From March 12 to 14, 2019, four wholly-owned subsidiaries were incorporated in the BVI and were held indirectly by the Company through AMTD Investment;
- On March 18, 2019, the Company entered into sale and purchase agreements with AMTD Group and its subsidiaries which held the shares of AMTD ISG, AMTD SI, AMTD Overseas and AMTD FI (collectively referred to as the "transferred entities"), pursuant to which AMTD Group and its subsidiaries agreed to contribute 100% of the share capital of the transferred entities to the Company for a total of 199,990,000 newly issued Class B ordinary shares of the Company. For AMTD ISG and AMTD SI with non-controlling interests, all shareholders had passed a resolution to provide consent to enter the sale and purchase agreements that involved the two entities and agreed that shareholders other than AMTD Group would not receive any consideration from the disposal of the two entities. The Company issued 199,990,000 Class B ordinary shares and holds the equity interests of AMTD ISG, AMTD SI, AMTD Overseas and AMTD FI indirectly through the four newly set up BVI entities mentioned above.

- On April 11, 2019, the Securities and Futures Commission (“SFC”) approved the shareholder change of AMTD IHG, which holds two licensed subsidiaries (AMTD GM and AMTD AAAPL) governed by the SFC in Hong Kong, from AMTD Group to the Company. The sale and purchase agreement with respect to the transfer of AMTD IHG became effective automatically upon the approval from the SFC. AMTD Group transferred 100% of share capital of AMTD IHG to the Company. In return, the Company issued one Class B ordinary share to AMTD Group.

The Reorganization was completed on April 11, 2019. Through the Reorganization, the Company became the holding company of the companies now comprising the Group. Accordingly, for the purpose of preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years ended December 31, 2017 and 2018 with a transition date of January 1, 2017.

## **2.1 BASIS OF PRESENTATION**

### **Basis of preparation and transition to IFRS**

Through the Reorganization, the Company became the holding company of the contributed businesses now comprising the Group, which were under the common control of the controlling shareholder before and after the Reorganization. Accordingly, the financial statements were prepared on a consolidated basis by applying the principles of the pooling of interest method as if the Reorganization had been completed at the beginning of the reporting period.

The consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the relevant periods included the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, whenever the period is shorter.

The consolidated statements of financial position of the Group as at January 1, 2017, December 31, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder’s perspective. No adjustments are made to reflect fair values, or to recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholder, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity applying the principles of the pooling of interest method.

All intra-group transactions and balances have been eliminated on consolidation.



The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Group has applied IFRS for the first time to the consolidated financial statements for the years ended December 31, 2017 and 2018. All IFRSs issued by the IASB, effective at the time of preparing these consolidated financial statements have been applied. As the Group neither prepared nor reported a complete set of financial statements in the past, the reconciliations from previous GAAP to IFRS were not disclosed.

The Group prepared the consolidated financial statements that comply with IFRS applicable as at December 31, 2018, together with the comparative period data for the year ended December 31, 2017, as described in the summary of significant accounting policies. In preparing the consolidated financial statements, the Group's opening consolidated statements of financial position was prepared as at January 1, 2017, the Group's date of transition to IFRS. The Group did not use any optional exemptions to full retrospective application of IFRS set out within IFRS 1.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss. The consolidated financial statements are presented in Hong Kong Dollars ("HK\$") unless otherwise stated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the years ended December 31, 2017 and 2018. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss is attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above.

## 2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

### New standards early adopted by the Group

#### *Amendments to IFRS 3 Definition of a Business*

In October 2018, IASB issued the amendment to IFRS 3, *Definition of a Business*, which is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has early adopted the amendments. The Company acquired the intangible assets included in the consolidated financial statements through the acquisition of a subsidiary in 2015. The acquisition was determined to be and accounted for as an asset acquisition as the intangible assets met the fair value concentration test.

### New and revised IFRS not yet adopted by the Group

#### *Amendments to IAS 1 and IAS 8*

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from January 1, 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

#### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The Group will apply the Interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis. The adoption of the Interpretation will not have any material impact on the Company's consolidated financial statements.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

The Group measures its debt and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, (only if there are revalued assets in the consolidated financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

**Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the year in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	20%
Computer equipment	33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination or asset acquisition is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

***Licenses***

Purchased licenses are stated at cost less any impairment losses and have indefinite useful life.

**Investments and other financial assets*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

***Financial assets at amortised cost (debt instruments)***

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as revenue in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



**Impairment of financial assets**

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 60-120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- |         |   |  |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs   |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs                          |

***Simplified approach***

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

**Financial liabilities*****Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

***Subsequent measurement of interest-bearing loans and payables***

After initial recognition, interest-bearing loans and payables are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

**Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Provisions**

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation, the increase in the discounted present value amount arising from the passage of time is included in profit or loss.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Revenue recognition***Revenue from contracts with customers*

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The primary components of fee and commission income are investment banking fee and income and asset management fee.

*(a) Investment banking fee and income*

Investment banking service income is composed of underwriting commission, brokerage fee and financial advisory fee. Underwriting commission earned from underwriting equity and debt securities is recognized at the point in time when the Group's performance under the terms of a contractual arrangement is completed, which is typically at the closing of a transaction if there is no uncertainty or contingency related to the amount to be paid. The normal credit term is 60 to 120 days upon the completion of performance.

Brokerage fee earned from sales of equity and debt securities from underwriting is recognized at the point in time when the associated service is fulfilled, generally on the trade execution date.

Financial advisory fee is recognized as advice is provided to the customer, based on the estimated progress of work and when revenue is not probable of a significant reversal. The majority of the contracts have a duration of 60 to 120 days.

For investment banking service, each contract contains only one performance obligation.

*(b) Asset management fee*

Asset management fee primarily includes fees associated with asset management, performance-based incentive fee, brokerage and handling fee. Substantially all of the management fee and the performance-based incentive fee are subject to variable consideration based on the underlying assets under management, i.e. AUM of a customer's account. Management fee is recognized when services are performed and the fee becomes known. Performance-based incentive fee is recognized when the performance target is met and the revenue is not probable of a significant reversal. For the years ended December 31, 2017 and 2018, the Company did not have any revenue related to such variable consideration and recognized from performance obligations satisfied in previous periods.

Brokerage and handling fees are recognized at the point in time when the associated service is fulfilled, generally on the trade execution date.

For asset management services, when a single contract contains two performance obligations, the stand-alone selling prices of each of the distinct services underlying the performance obligations (i.e. management fee and performance-based incentive fee for asset management service and brokerage and handling fee for transaction processing service) are stated separately in the contract. These are the observable prices of services when the Company sells each of them separately.

#### ***Revenue from other sources***

Fair value changes on financial assets at fair value through profit or loss is recognized in the period in which they arise. Gain/loss recognized for the financial assets at fair value through profit or loss disposed during the current period is defined as gain/loss related to disposed investment, whereas gain/loss recognized for those financial assets at fair value through profit or loss in the statement of financial position held at the end of the reporting period is defined as net fair value changes on financial assets at fair value through profit or loss.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

From 2018, for certain customers of asset management service, the Company requires upfront payment of management fee and recorded such upfront fee as contract liabilities in other payables and accruals. Upfront fee is recognized as revenue based on the time elapsed for the service period. Asset management contracts normally cover periods of one to three years.

#### **Employee benefits**

##### ***Retirement benefit cost***

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

**Foreign currencies**

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

***Income tax***

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

***Provision for expected credit losses on accounts receivable***

The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and reference rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., market risk and price risk) are expected to deteriorate over the next year which can lead to an increased number of defaults in the capital markets sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's accounts receivable is disclosed in note 11 to the consolidated financial statements.

***Fair value of unlisted equity investments***

The unlisted equity investments have been valued based on the recent transactions with similar risk characteristics as detailed in note 13 to the consolidated financial statements. The valuation requires the Group to estimate the expected business risk, and hence they are subject to uncertainty. The Group classifies the fair value of these investments as Level 3.

**4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) The investment banking segment assists customers in raising funds through equity and debt financing, providing underwriting for initial public offerings ("IPOs"), private placements and debt issuances and providing financial advisory services (including but not limited to domestic and cross border advisory services for merger and acquisitions).



- (b) The asset management segment provides a wide range of asset management products and services, including in relation to listed equity, fixed income securities, hedge funds, structured products, foreign exchange, private equities, alternative investments, discretionary account services, investment advisory services and external asset management services.
  
- (c) The strategic investment segment engages in proprietary investments and management of investment portfolio mainly focuses on financial services and asset classes in Hong Kong and China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit/loss before tax from operations. The adjusted result before tax from operations is measured after allocation of controllable costs of specialized staff, commission paid to asset management segment and finance costs to strategic investment segment consistently with the Group's profit before tax from operations. Other corporate income and expenses such as staff costs not directly attributable to segment, office rental and administrative expenses are excluded from such measurement.

Segment assets exclude property, plant and equipment, tax recoverable, amounts due from fellow subsidiaries and immediate holding company, prepayments, other receivables and other assets, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amounts due to fellow subsidiaries and immediate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

## Segment revenue and results

Year ended December 31, 2017

	<b>Investment banking</b> <i>HK\$</i>	<b>Asset management</b> <i>HK\$</i>	<b>Strategic investment</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
<b>Segment revenue (note 5)</b>				
Revenue				
– from external customers	208,162,829	70,813,374	–	278,976,203
– others	<u>–</u>	<u>–</u>	<u>754,187,550</u>	<u>754,187,550</u>
				<u>1,033,163,753</u>
<b>Segment results</b>	<u>197,333,389</u>	<u>48,059,488</u>	<u>739,674,246</u>	<u>985,067,123</u>
Other income				17,674,605
Unallocated finance costs				(15,285,311)
Corporate and other unallocated expenses				<u>(178,870,946)</u>
Profit before tax				<u>808,585,471</u>
<b>Other segment information</b>				
Depreciation				379,132
Capital expenditure*				<u>138,704</u>

\* Capital expenditure consists of additions to property, plant and equipment.

*Year ended December 31, 2018*

	<b>Investment banking</b>	<b>Asset management</b>	<b>Strategic investment</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Segment revenue (note 5)</b>				
Revenue				
– from external customers	288,591,129	78,946,986	–	367,538,115
– others	–	–	355,688,019	355,688,019
Intersegment	<u>–</u>	<u>172,809</u>	<u>–</u>	<u>172,809</u>
	288,591,129	79,119,795	355,688,019	723,398,943
<i>Reconciliation</i>				
Intersegment				<u>(172,809)</u>
				<u>723,226,134</u>
<b>Segment results</b>	<u>254,901,096</u>	<u>57,385,943</u>	<u>350,306,996</u>	<u>662,594,035</u>
Other income				15,372,350
Unallocated finance costs				(3,666,040)
Corporate and other unallocated expenses				<u>(65,335,119)</u>
Profit before tax				<u>608,965,226</u>
<b>Other segment information</b>				
Depreciation				334,841
Capital expenditure*				<u>14,214</u>

\* Capital expenditure consists of additions of property, plant and equipment.

**Segment assets and liabilities**

	<b>January 1, 2017 HK\$</b>	<b>December 31, 2017 HK\$</b>	<b>December 31, 2018 HK\$</b>
<b>Segment assets</b>			
Investment banking	62,034,192	69,555,369	134,855,898
Asset management	410,507,448	443,470,928	712,011,344
Strategic investment	<u>993,009,926</u>	<u>2,948,769,400</u>	<u>3,494,527,773</u>
Total segment assets	1,465,551,566	3,461,795,697	4,341,395,015
Unallocated corporate assets	<u>1,369,281,261</u>	<u>2,579,821,455</u>	<u>2,765,794,535</u>
Total assets	<u><u>2,834,832,827</u></u>	<u><u>6,041,617,152</u></u>	<u><u>7,107,189,550</u></u>
<b>Segment liabilities</b>			
Investment banking	–	–	15,000,000
Asset management	345,939,069	393,269,077	663,698,964
Strategic investment	<u>638,350,783</u>	<u>351,609,630</u>	<u>321,999,549</u>
Total segment liabilities	984,289,852	744,878,707	1,000,698,513
Unallocated corporate liabilities	<u>1,514,538,352</u>	<u>2,627,461,975</u>	<u>2,912,088,937</u>
Total liabilities	<u><u>2,498,828,204</u></u>	<u><u>3,372,340,682</u></u>	<u><u>3,912,787,450</u></u>

The unallocated segment assets and liabilities mainly consist of amounts due from and due to related companies, respectively, which are not directly attributable to individual segments.

**Geographical information**

The following table sets forth the Group's revenue from external customers by geographical areas based on the location of the customers:

*Year ended December 31, 2017*

	<b>Investment banking</b> <i>HK\$</i>	<b>Asset management</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Hong Kong	70,332,752	11,352,777	81,685,529
Mainland China	137,830,077	53,184,060	191,014,137
Others	—	<u>6,276,537</u>	<u>6,276,537</u>
	<u>208,162,829</u>	<u>70,813,374</u>	<u>278,976,203</u>

*Year ended December 31, 2018*

	<b>Investment banking</b> <i>HK\$</i>	<b>Asset management</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Hong Kong	128,880,466	39,451,207	168,331,673
Mainland China	158,780,244	36,615,872	195,396,116
Others	<u>930,419</u>	<u>2,879,907</u>	<u>3,810,326</u>
	<u>288,591,129</u>	<u>78,946,986</u>	<u>367,538,115</u>

The Group's revenue is derived solely from its operations in Hong Kong based on the location in which contracts were executed and services were rendered.

As at January 1, 2017 and December 31, 2017 and 2018, non-current assets, for the purpose of geographical information, consisting of property, plant and equipment and intangible assets, were all located in Hong Kong.

**Information about a major customer**

During the years ended December 31, 2017 and 2018, no revenue derived from a single external customer accounted for 10% or more of the total revenue of the Group.

## 5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2017 HK\$	2018 HK\$
<b>Revenue from contracts with customers</b>		
<i>Investment banking</i>		
Investment banking fee and income	<u>208,162,829</u>	<u>288,591,129</u>
<i>Asset management</i>		
Management fee and performance-based incentive fee	47,774,685	43,465,186
Brokerage and handling fees	16,270,055	31,393,570
Others	<u>6,768,634</u>	<u>4,088,230</u>
	<u>70,813,374</u>	<u>78,946,986</u>
	<u>278,976,203</u>	<u>367,538,115</u>
<b>Revenue from other sources</b>		
<i>Strategic investment</i>		
Dividend income	22,564,600	99,227,724
Gain related to disposed investment	<u>46,943,698</u>	<u>–</u>
	<u>69,508,298</u>	<u>99,227,724</u>
Net fair value changes on financial assets at fair value through profit or loss		
– from listed equity shares, at quoted price	684,660,652	202,304,000
– from unlisted debt securities	–	86,000
– from unlisted equity shares	<u>18,600</u>	<u>54,070,295</u>
Total net fair value changes on financial assets at fair value through profit or loss	<u>684,679,252</u>	<u>256,460,295</u>
	<u>1,033,163,753</u>	<u>723,226,134</u>

## Revenue from contracts with customers

(i) *Disaggregated revenue information*

The Company assesses revenues based upon the nature or type of goods or services it provides and the operating segments of the related businesses. For more information on the operating segments, see Note 4, “Operating Segment Information”. The following tables present disaggregated revenue information:

Segments	Investment banking HK\$	Asset management HK\$	Strategic investment HK\$	Total HK\$
<b>Year ended December 31, 2017</b>				
<i>Investment banking</i>				
Underwriting commission and brokerage fee	150,649,829	–	–	150,649,829
Financial advisory fee	57,513,000	–	–	57,513,000
<i>Asset management</i>				
Management fee and performance-based incentive fee	–	47,774,685	–	47,774,685
Brokerage and handling fee	–	16,270,055	–	16,270,055
<i>Strategic investment</i>				
Net fair value changes on financial assets				
at fair value through profit or loss	–	–	684,679,252	684,679,252
Gain related to disposed investment	–	–	46,943,698	46,943,698
Dividend income	–	–	22,564,600	22,564,600
<i>Others</i>	–	6,768,634	–	6,768,634
<b>Total</b>	<b><u>208,162,829</u></b>	<b><u>70,813,374</u></b>	<b><u>754,187,550</u></b>	<b><u>1,033,163,753</u></b>
<b>Year ended December 31, 2018</b>				
<i>Investment banking</i>				
Underwriting commission and brokerage fee	217,002,789	–	–	217,002,789
Financial advisory fee	71,588,340	–	–	71,588,340
<i>Asset management</i>				
Management fee and performance-based incentive fee	–	43,465,186	–	43,465,186
Brokerage and handling fee	–	31,393,570	–	31,393,570
<i>Strategic investment</i>				
Net fair value changes on financial assets				
at fair value through profit or loss	–	–	256,460,295	256,460,295
Dividend income	–	–	99,227,724	99,227,724
<i>Others</i>	–	4,088,230	–	4,088,230
<b>Total</b>	<b><u>288,591,129</u></b>	<b><u>78,946,986</u></b>	<b><u>355,688,019</u></b>	<b><u>723,226,134</u></b>

*(ii) Performance obligations*

The Company started to receive advances from its customers of asset management in 2018. The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	<b>2018</b> <i>HK\$</i>
Within one year	37,165,868
More than one year	<u>17,945,950</u>
	<u><u>55,111,818</u></u>

The remaining performance obligations expected to be recognized in more than one year relate to upfront fee that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognized within one year.

**Other income**

	<b>2017</b> <i>HK\$</i>	<b>2018</b> <i>HK\$</i>
Bank interest income	158,863	7,681
Other income from a fellow subsidiary (Note 23(b)(iv))	15,285,311	3,666,040
Management fee income from a fellow subsidiary	2,231,559	–
Others	<u>238,433</u>	<u>11,719,054</u>
	<u><u>17,914,166</u></u>	<u><u>15,392,775</u></u>



**6. OPERATING EXPENSES/(INCOME), NET**

Operating expenses and foreign exchange differences included in the consolidated statement of profit or loss and other comprehensive income are as follows:

	<b>2017</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Operating expenses</b>		
Marketing and brand promotional expenses	26,207,524	11,864,097
Premises costs and office utilities		
– Premises costs	18,361,737	9,465,094
– Office utilities	<u>7,421,124</u>	<u>6,117,640</u>
	<u>25,782,861</u>	<u>15,582,734</u>
Traveling and business development expenses	18,460,191	10,860,318
Commissions and bank charges	7,978,311	5,197,984
Office renovation and maintenance expenses	15,880,216	1,603,484
Legal and professional fees		
– Auditor’s remuneration	503,240	789,000
– Other legal and professional fees	<u>5,268,795</u>	<u>1,650,070</u>
	<u>5,772,035</u>	<u>2,439,070</u>
Staff welfare and staff recruitment expenses	7,637,277	3,659,523
Others		
– Depreciation	379,132	334,841
– Foreign exchange differences, net	(206,072)	382,757
– Other expenses	<u>3,671,713</u>	<u>657,299</u>
	<u>3,844,773</u>	<u>1,374,897</u>
	<u>111,563,188</u>	<u>52,582,107</u>

**7. STAFF COSTS**

	<b>2017</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
Salaries and bonuses	101,092,455	67,187,493
Pension scheme contributions (defined contribution schemes)	<u>1,112,047</u>	<u>837,020</u>
	<u>102,204,502</u>	<u>68,024,513</u>

**8. FINANCE COSTS**

An analysis of finance costs from operations is as follows:

	<b>2017</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
Interests on margin loans payable	<u>28,724,758</u>	<u>9,047,063</u>

**9. INCOME TAX**

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong:

	<i>Note</i>	<b>2017</b>	<b>2018</b>
		<i>HK\$</i>	<i>HK\$</i>
Hong Kong profits tax			
Charge for the year		19,988,157	43,127,820
Overprovision in prior year		–	(2,359,495)
Deferred tax	20	112,969,008	33,148,500
The People's Republic of China withholding tax			
Charge for the year		<u>2,256,460</u>	<u>9,922,772</u>
		<u>135,213,625</u>	<u>83,839,597</u>

A reconciliation of tax expense and profit before tax at the Hong Kong statutory tax rate in which the Group's major operating subsidiaries are domiciled is as follows:

	<b>2017</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
Profit before tax	<u>808,585,471</u>	<u>608,965,226</u>
Tax at statutory tax rate of 16.5% (2017: 16.5%)	133,416,603	100,479,262
Tax effect of non-taxable income	(3,834,400)	(25,554,680)
Tax effect of non-deductible expenses	3,308,966	1,355,050
Tax effect of unrecognized temporary difference	13,522	16,553
Tax effect of tax loss not recognized	64,264	10,797
Overprovision in prior year	–	(2,359,495)
Utilization of tax losses previously not recognized	(11,790)	(30,662)
Withholding tax on the dividend income	<u>2,256,460</u>	<u>9,922,772</u>
Income tax expense	<u>135,213,625</u>	<u>83,839,597</u>

#### 10. EARNINGS PER SHARE ATTRIBUTABLE TO CLASS B ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share is calculated by dividing the profit for the year attributable to Class B ordinary equity holders of the parent by the number of Class B ordinary shares after the Reorganization as mentioned in note 1.2.

	<b>2017</b>	<b>2018</b>
Profit attributable to Class B ordinary equity holders of the parent (HK\$)	568,266,428	468,061,079
Weighted average number of Class B ordinary shares	<u>200,000,001</u>	<u>200,000,001</u>
Earnings per Class B ordinary share – Basic (HK\$ per Class B ordinary share)	<u>2.84</u>	<u>2.34</u>

In addition to the transactions detailed elsewhere in the consolidated financial statements, there have been no other transactions involving Class A and Class B ordinary shares or potential Class A and Class B ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

For the years ended December 2017 and 2018, there were no potential Class B ordinary shares in issue, thus no diluted earnings per share is presented.

## 11. ACCOUNTS RECEIVABLE

	<i>Notes</i>	<b>January 1, 2017 HK\$</b>	<b>December 31, 2017 HK\$</b>	<b>December 31, 2018 HK\$</b>
Clients' receivables	(i)	21,651,015	15,747,620	12,848,608
Margin loan receivable	(ii)	–	–	2,575,051
Receivable from brokers and clearing house	(i)	9,318,158	7,869,727	10,813,497
Receivable from investment banking services	(iii)	<u>62,034,192</u>	<u>69,555,369</u>	<u>134,855,898</u>
		<u>93,003,365</u>	<u>93,172,716</u>	<u>161,093,054</u>

*Notes:*

- (i) The normal settlement terms of clients' receivables and receivable from brokers and clearing house arising from asset management services are 2 days after trade date or at specific terms agreed with brokers and clearing houses. Overdue client's receivable is interest-bearing.
- (ii) As at December 31, 2018, the Group received collateral of listed shares with fair value amounted to HK\$3,808,116 in margin financing business. Margin loan receivable is interest-bearing.
- (iii) The normal settlement terms of receivables from investment banking services are ranging from 60 to 120 days mutually agreed between the contracting parties. Receivable from investment banking services is non-interest bearing.

As at January 1, 2017 and December 31, 2018 the Group's receivables from investment banking service of HK\$31,020,400 and HK\$70,875,980 are due from fellow subsidiaries, which are repayable on similar credit terms to those offered to the major customers of the Group (Note 23(b)(ii)).

The Group seeks to maintain strict control over its outstanding receivables and has a credit control team to minimise credit risk. Overdue balances are reviewed regularly by senior management. Except the margin loan receivable, the Group does not hold any collateral over its accounts receivable.

An aging analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of loss allowance is as follows:

	<b>January 1, 2017</b>	<b>December 31, 2017</b>	<b>December 31, 2018</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Not yet due	78,429,715	49,453,064	95,469,641
Past due			
Within 1 month	9,461,222	41,552,582	732,497
1 to 3 months	3,486,632	1,700,642	840,942
Over 3 months	<u>1,625,796</u>	<u>466,428</u>	<u>64,049,974</u>
	<u>93,003,365</u>	<u>93,172,716</u>	<u>161,093,054</u>

As at January 1, 2017 and December 31, 2017 and 2018, accounts receivable were due from a number of reputable corporate clients, brokers and individual clients.

Margin loan receivable are assessed for impairment under stage 1 of general approach. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at December 31, 2018 was considered to be minimal and no loss allowance for margin loan receivable was provided.

An impairment analysis of clients' receivables, receivable from brokers and clearing house receivable from investment banking services is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various segments with similar loss patterns (i.e., by customer type and reference rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

		<b>Past due</b>			
	<b>Current</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>Over 3 months</b>	<b>Total</b>
<b>As at January 1, 2017</b>					
Expected credit loss rate	0.07%	0.08%	0.08%	0.13%	0.07%
Gross carrying amount (HK\$'000)	78,430	9,461	3,486	1,626	93,003

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
<b>As at December 31, 2017</b>					
Expected credit loss rate	0.06%	0.08%	0.08%	0.06%	0.07%
Gross carrying amount (HK\$'000)	49,453	41,553	1,701	466	93,173

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
<b>As at December 31, 2018</b>					
Expected credit loss rate	0.13%	–	0.10%	0.22%	0.17%
Gross carrying amount (HK\$'000)	95,470	719	828	61,501	158,518

The expected credit losses as at January 1, 2017 and December 31, 2017 and 2018 were immaterial and no loss allowance for accounts receivable was provided.

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	January 1, 2017 HK\$	December 31, 2017 HK\$	December 31, 2018 HK\$
Prepayments	15,886,638	21,371,334	27,301,254
Deposits	1,016,133	456,150	451,759
Other receivables	<u>2,531,457</u>	<u>1,375,959</u>	<u>5,590,846</u>
	<u>19,434,228</u>	<u>23,203,443</u>	<u>33,343,859</u>

Deposits and other receivables mainly represent rental deposits and deposits with event organisers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings.

As at January 1, 2017, December 31, 2017 and 2018, the probability of default applied ranged from 0.05% to 0.60% and the loss given default was estimated to be 45%. The recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at January 1, 2017 and December 31, 2017 and 2018 is considered to be minimal.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND STOCK LOAN

	January 1, 2017 HK\$	December 31, 2017 HK\$	December 31, 2018 HK\$
Financial assets at fair value through profit or loss	989,728,800	745,629,400	1,953,078,309
Stock loan	<u>–</u>	<u>2,203,140,000</u>	<u>1,535,679,600</u>
	<u>989,728,800</u>	<u>2,948,769,400</u>	<u>3,488,757,909</u>
Listed equity shares, at quoted price			
–Investment A	404,728,800	–	–
–Investment B	585,000,000	2,933,140,000	3,134,040,000
–Investment C	<u>–</u>	<u>–</u>	<u>73,476,000</u>
Total listed equity shares, at quoted price	<u>989,728,800</u>	<u>2,933,140,000</u>	<u>3,207,516,000</u>
Unlisted debt securities			
–Investment D	<u>–</u>	<u>–</u>	<u>78,316,000</u>
Unlisted equity shares			
–Investment E	–	15,629,400	47,417,581
–Investment F	<u>–</u>	<u>–</u>	<u>155,508,328</u>
Total unlisted equity shares	<u>–</u>	<u>15,629,400</u>	<u>202,925,909</u>
	<u>989,728,800</u>	<u>2,948,769,400</u>	<u>3,488,757,909</u>

The above unlisted investments at December 31, 2017 and 2018 were debt securities and equity shares issued by enterprises. The Group has not elected to recognize the fair value gain or loss through other comprehensive income. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Financial assets at fair value through profit or loss are categorised into levels 1 and 3.

As at January 1, 2017 and December 31, 2017 and 2018, the Group's listed equity investment with carrying amounts of HK\$989,728,800, HK\$730,000,000 and HK\$1,598,360,400, respectively, were pledged against its margin loans payable (note 18).

On September 17, 2017, the Group entered into a stock borrowing and lending agreement (“stock loan”) with the intermediate holding company, pursuant to which the Group lent certain listed equity investment in Bank of Qingdao Co., Ltd. to the intermediate holding company. The stock loan is repayable on demand and interest free.

The intermediate holding company pledged the listed equity shares to a third party as collateral with maturity in 2022. In October 2018, the Group demanded and recalled 104,918,000 shares of listed equity investment with carrying amounts of HK\$660,983,400.

As at December 31, 2017 and 2018, the fair value of the listed equity shares under the stock loan were HK\$2,203,140,000 and HK\$1,535,679,600, respectively. And the net unrealized gain on the stock loan were HK\$539,660,652 and HK\$98,441,000 for the years ended December 31, 2017 and 2018, respectively.

#### 14. CASH AND BANK BALANCES

	January 1, 2017 HK\$	December 31, 2017 HK\$	December 31, 2018 HK\$
Cash and cash equivalents:			
Cash on hand	31,031	31,031	31,031
General bank accounts	<u>69,478,796</u>	<u>86,384,251</u>	<u>126,824,487</u>
Total cash and cash equivalents	<u>69,509,827</u>	<u>86,415,282</u>	<u>126,855,518</u>
Segregated clients’ bank accounts balances:			
Insurance brokerage business and others	12,924,508	20,568,024	29,395,158
Asset management business	<u>350,184,509</u>	<u>382,923,675</u>	<u>586,096,042</u>
Total segregated clients’ bank accounts balances	<u>363,109,017</u>	<u>403,491,699</u>	<u>615,491,200</u>
Total cash and bank balances	<u>432,618,844</u>	<u>489,906,981</u>	<u>742,346,718</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates for both years. The bank balances are deposited with creditworthy banks with no recent history of default.



The Group maintains segregated bank accounts with corporate banks to hold clients' monies on trust under custody arising from its asset management and other business. The Group has classified the clients' monies as bank balances-segregated accounts under the assets section of the consolidated statement of financial position and recognized the corresponding amounts as clients' monies held on trust to respective clients on the basis that it is legally liable for any possible loss or misappropriation of the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>Furniture and fixtures</b>	<b>Computer equipment</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Cost:</b>			
At January 1, 2017	11,090	3,907,006	3,918,096
Additions	<u>–</u>	<u>138,704</u>	<u>138,704</u>
At December 31, 2017 and January 1, 2018	11,090	4,045,710	4,056,800
Additions	<u>–</u>	<u>14,214</u>	<u>14,214</u>
At December 31, 2018	<u>11,090</u>	<u>4,059,924</u>	<u>4,071,014</u>
<b>Accumulated depreciation:</b>			
At January 1, 2017	1,842	3,223,993	3,225,835
Charge for the year	<u>2,218</u>	<u>376,914</u>	<u>379,132</u>
At December 31, 2017 and January 1, 2018	4,060	3,600,907	3,604,967
Charge for the year	<u>2,218</u>	<u>332,623</u>	<u>334,841</u>
At December 31, 2018	<u>6,278</u>	<u>3,933,530</u>	<u>3,939,808</u>
<b>Carrying amount:</b>			
At December 31, 2018	<u>4,812</u>	<u>126,394</u>	<u>131,206</u>
At December 31, 2017	<u>7,030</u>	<u>444,803</u>	<u>451,833</u>
At January 1, 2017	<u>9,248</u>	<u>683,013</u>	<u>692,261</u>

## 16. INTANGIBLE ASSETS

HK\$

Net carrying amount as at January 1, 2017, December 31, 2017 and 2018 15,171,170

The intangible assets represented securities trading licenses and trading right with indefinite useful lives because they are expected to contribute to the net cash flows of the Group indefinitely and therefore, are not amortized. The recoverable amount of the intangible assets is determined by reference to the market evidence of recent transaction prices for similar licensed corporations.

## 17. ACCOUNTS PAYABLE

	<i>Note</i>	<b>January 1, 2017</b> <i>HK\$</i>	<b>December 31, 2017</b> <i>HK\$</i>	<b>December 31, 2018</b> <i>HK\$</i>
Payables to clearing house and brokers	(i)	372,000	2,857,658	3,153,820
Clients' payables	(i)	<u>2,041,353</u>	<u>4,270,484</u>	<u>12,157,051</u>
		<u>2,413,353</u>	<u>7,128,142</u>	<u>15,310,871</u>

*Note:*

- (i) As at January 1, 2017, December 31, 2017 and 2018, payable to clearing house and brokers and clients' payable arising from assets management business are repayable 2 days after trade date or at pre-agreed-specific terms.

An aging analysis of the accounts payable as at the end of the reporting period is as follows:

	<b>January 1, 2017</b> <i>HK\$</i>	<b>December 31, 2017</b> <i>HK\$</i>	<b>December 31, 2018</b> <i>HK\$</i>
Within 1 month/repayable on demand	<u>2,413,353</u>	<u>7,128,142</u>	<u>15,310,871</u>

The balances of accounts payable are unsecured and non-interest bearing.

**18. MARGIN LOANS PAYABLE**

As at January 1, 2017, December 31, 2017 and 2018, the balances are interest-bearing at a rate of 3.00% to 5.25% per annum (“p.a.”), 5.25% p.a. and 6.75% p.a., respectively, and secured by the Group’s financial assets at fair value through profit or loss of HK\$989,728,800, HK\$730,000,000 and HK\$1,598,360,400, respectively (note 13).

**19. OTHER PAYABLES AND ACCRUALS**

	<i>Note</i>	<b>January 1, 2017 HK\$</b>	<b>December 31, 2017 HK\$</b>	<b>December 31, 2018 HK\$</b>
Accruals and other payables		9,579,790	6,516,678	25,011,870
Contract liabilities	(i)	<u>–</u>	<u>–</u>	<u>55,111,818</u>
		<u>9,579,790</u>	<u>6,516,678</u>	<u>80,123,688</u>

*Note:*

- (i) Contract liabilities include upfront fees received to deliver asset management services. The Company started to receive advances from its customers of asset management services in 2018.

Movements in contract liabilities during the years ended December 31, 2017 and 2018 are as follows:

	<i>HK\$</i>
At January 1, 2017, December 31, 2017 and January 1, 2018	–
Deferred revenue received during the year	58,344,702
Revenue recognized during the year	<u>(3,232,884)</u>
At December 31, 2018	<u>55,111,818</u>

**20. DEFERRED TAX LIABILITIES**

The movements in deferred tax liabilities during the years are as follows:

	<b>Unrealized gain on investment HK\$</b>
At January 1, 2017	17,239,669
Deferred tax charged to profit or loss during the year (note 9)	<u>112,969,008</u>
At December 31, 2017 and January 1, 2018	130,208,677
Deferred tax charged to profit or loss during the year (note 9)	<u>33,148,500</u>
At December 31, 2018	<u><u>163,357,177</u></u>

As at January 1, 2017, December 31, 2017 and 2018 and the Group had estimated tax losses arising in Hong Kong of HK\$878,358, HK\$1,196,380 and HK\$1,041,831 subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect of the remaining tax losses arising in Hong Kong as it is not considered probable that taxable profits would be available against which the tax losses can be utilized.

**21. SHARE CAPITAL AND CAPITAL RESERVE***Share Capital*

## Authorized

Class A ordinary shares	8,000,000,000
Class B ordinary shares	<u>2,000,000,000</u>
Issued and fully paid:	
Class B ordinary shares	<u><u>200,000,001</u></u>

As described in note 1.2, the issued capital of the Company is presented as if the shares after completion of the Reorganization were issued since inception. The carrying amount of the issued capital of HK\$156,998 (equivalent to US\$20,000) represents nominal amount of the 200,000,001 Class B ordinary shares at US\$0.0001 per share issued by the Company.

All issued shares to the contributing shareholder of AMTD IHG, AMTD ISG, AMTD SI, AMTD Overseas and AMTD FI during the Reorganization are Class B ordinary shares.

Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to vote at general meetings of the Company, and each Class B ordinary share shall entitle the holder thereof to twenty votes on all matters subject to vote at general meetings of the Company. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Except for the voting rights and the conversion rights, the Class A ordinary shares and the Class B ordinary shares shall rank pari passu with one another and shall have the same rights, preferences, privileges and restrictions.

*Capital reserve*

	<i>Notes</i>	<i>HK\$</i>
As at January 1, 2017	(i)	33,333,003
Share capital of incorporated of subsidiary		1
Deemed contributions	(ii)	<u>1,279,469,671</u>
As at December 31, 2017		1,312,802,675
Share capital of incorporated of subsidiary		<u>1</u>
As at December 31, 2018		<u><u>1,312,802,676</u></u>

*Notes:*

- (i) In prior year, when the immediate holding company restructured its organization, the equity interest of AMTD GM was transferred between two companies within its group. The amount of consideration in excess of the net asset value of AMTD GM on the transaction date was recorded in capital reserve.
- (ii) For the year ended December 31, 2017, the intermediate holding company of AMTD ISG and AMTD SI issued new shares representing equity interest of 20.87% to independent investors. It was accounted for as an equity transaction with the non-controlling interests and a decrease in equity attributable to owners of the Company, and recorded in capital reserve, based on the proportionate share of the subsidiaries net assets of HK\$34,009,199 upon issuance of new shares.

Besides, a balance of HK\$1,313,478,870 due to the former holding company of a subsidiary was waived and recorded as deemed contribution.

## 22. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

## (a) Major non-cash transactions

During the years ended December 31, 2017 and 2018, the Group purchased financial assets at fair value through profit or loss of HK\$1,675,510,800 and HK\$203,607,914, respectively, by way of current accounts with fellow subsidiaries.

During the year ended December 31, 2017, the repayment of margin loans payable of HK\$248,183,452 was directly settled by sales proceeds upon the disposal of financial assets at fair value through profit or loss.

## (b) Changes in liabilities arising from financing activities

	<b>Margin loans payable HK\$</b>
At January 1, 2017	638,350,783
Changes from financing activities	(38,557,701)
Released from disposal of financial assets at fair value through profit or loss	(248,183,452)
Interest expenses	28,724,758
Interest paid	<u>(28,724,758)</u>
At December 31, 2017	351,609,630
Changes from financing activities	(29,610,081)
Interest expenses	9,047,063
Interest paid	<u>(9,047,063)</u>
At December 31, 2018	<u><u>321,999,549</u></u>

## (c) Changes in the movement of balances with related parties

	<b>2017</b>		
	<b>Related company HK\$</b>	<b>Fellow subsidiaries HK\$</b>	<b>Immediate holding company HK\$</b>
Operating activities	(2,104,418)	(663,904,382)	284,494,845
Financing activities	<u>–</u>	<u>203,607,914</u>	<u>–</u>
Net cash inflow/(outflow)	<u>(2,104,418)</u>	<u>(460,296,468)</u>	<u>284,494,845</u>
	<b>2018</b>		
	<b>Related company HK\$</b>	<b>Fellow subsidiaries HK\$</b>	<b>Immediate holding company HK\$</b>
Operating activities	7,500	(2,375,375,220)	439,200,382
Financing activities	<u>–</u>	<u>1,675,510,800</u>	<u>–</u>
Net cash inflow/(outflow)	<u>7,500</u>	<u>(699,864,420)</u>	<u>439,200,382</u>

## 23. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the years:

	<i>Notes</i>	<b>2017</b> <i>HK\$</i>	<b>2018</b> <i>HK\$</i>
Underwriting services rendered to immediate holding company	(i)	<u>31,221,600</u>	<u>–</u>
Underwriting services rendered to fellow subsidiaries	(i)	<u>–</u>	<u>70,988,340</u>
Management fee income from a fellow subsidiary	(i)	<u>2,231,559</u>	<u>–</u>
Investment advisory fee paid to a fellow subsidiary	(i)	<u>15,000</u>	<u>180,000</u>
Insurance commission paid to a fellow subsidiary	(i)	<u>81,606</u>	<u>57,063</u>
Asset management services rendered to a fellow subsidiary	(i)	<u>–</u>	<u>5,784,775</u>
Acquisition of investment from a fellow subsidiary	(ii)	<u>–</u>	<u>72,072,000</u>
Recharge from/(to) immediate holding company			
– Staff costs		66,163,850	11,678,050
– Premises cost		17,910,916	9,329,432
– Office renovation		14,118,570	1,250,906
– Other operating expenses/(income), net		<u>10,512,120</u>	<u>(1,753,759)</u>
	(iii)	<u>108,705,456</u>	<u>20,504,629</u>



*Notes:*

- (i) The terms of these services were comparable to the fee and conditions offered to the major customers of the Group.
  - (ii) The transaction represented the transfer of 234,000 ordinary shares of a listed equity investment from its fellow subsidiary at the market price as of December 12, 2018.
  - (iii) During the years ended December 31, 2017 and 2018, staff costs, office renovation and other operating expenses (e.g. advertisement and promotional expense) were recharged by the immediate holding company based on the proportion of the Company's revenue to the consolidated revenue of the immediate holding company, net of expenses incurred by the Group. Premises cost was recharged based on the actual usage.
  - (iv) As at June 30, 2018, the Group transferred the retail insurance brokerage business to fellow subsidiaries at net asset value of HK\$775,955, including accounts and other receivables of HK\$1,366,402 and accounts and other payables of HK\$590,447 through current accounts. The fellow subsidiaries were disposed by the immediate holding company to a third party on the same date.
- (b) Outstanding balances with related parties:
- (i) As at January 1, 2017, the Group had an outstanding balance due from a fellow subsidiary of HK\$130,000,000 which was unsecured, bears interest of 2.5% per annum and repayable on demand. Interest receivable at January 1, 2017 amounted to HK\$3,223,360 was included in due from fellow subsidiaries. During the year ended December 31, 2017, the outstanding balance of HK\$130,000,000 became interest free. As at December 31, 2017, the outstanding balance of HK\$130,000,000 and interest receivable of HK\$3,223,360 were unsecured, interest free and repayable on demand and were included in amounts due from fellow subsidiaries. During the year ended December 31, 2018, the balances due from the fellow subsidiary were fully settled.

During the year ended December 31, 2017, the Group advanced HK\$70,332,300 (equivalent to US\$9,000,000), which was unsecured, interest free and repayable on demand, to the fellow subsidiary. At December 31, 2017, the outstanding balance of HK\$70,332,300 was included in amounts due from fellow subsidiaries. During the year ended December 31, 2018, such balance was fully settled.

As at January 1, 2017 and December 31, 2017 and 2018, the Group's outstanding balances due from its fellow subsidiaries and immediate holding company arising from intercompany advances were unsecured, interest free and repayable on demand, except for the balances described above. As at January 1, 2017, December 31, 2017 and 2018, there was no provision of credit loss on amounts due from fellow subsidiaries and immediate holding company.

As at January 1, 2017 and December 31, 2017 and 2018, the Group's outstanding balances due to its fellow subsidiaries and immediate holding company arising from intercompany advances were unsecured, interest free and repayable on demand.

- (ii) As at January 1, 2017 and December 31, 2018, the Group had an outstanding accounts receivable balance due from its fellow subsidiaries of HK\$31,020,400 and HK\$70,875,980, respectively. The balances was arising from the provision of investment banking services were non-interest bearing with settlement terms mutually agreed by both parties.
- (iii) As at January 1, 2017, December 31, 2017 and 2018, the Group had an outstanding balance due from its related company, a company associated with the major shareholder of HK\$1,988,101, HK\$4,092,519 and HK\$4,085,019, respectively. This balance is unsecured, interest free and repayable on demand. As at January 1, 2017, December 31, 2017 and 2018, there was no provision of credit loss on amount due from a related company.
- (iv) As at January 1, 2017 and December 31, 2017, the Group held listed equity shares with fair value of HK\$1,152,000,000 and HK\$489,600,000, respectively, through a share custody entrustment agreement with a fellow subsidiary. The fellow subsidiary was the beneficiary owner of the shares and therefore the fellow subsidiary recorded the listed equity shares as its financial assets. The listed equity shares were used to secure part of the Group's margin loan payable as at January 1, 2017 and December 31, 2017, respectively. The fellow subsidiary shall bear all costs and expenses in connection with custody, acquisition and disposal of the listed equity shares. The Group recorded other income from a fellow subsidiary of HK\$15,285,311 and HK\$3,666,040 for the years ended December 31, 2017 and 2018, respectively, in connection with the reimbursement of interest expenses of the related margin loan payable. As at December 31, 2018, the Group did not hold any listed equity shares through a share custody entrustment agreement.
- (c) Compensation of key management personnel of the Group:

	<b>2017</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
Short-term employee benefits	8,745,651	19,473,470
Post-employment benefit	–	–
Other long-term benefit	<u>53,624</u>	<u>61,428</u>
	<u>8,799,275</u>	<u>19,534,898</u>

## 24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**As at January 1, 2017**

*Financial assets*

	<b>Financial assets at fair value through profit or loss</b>		
	<b>Mandatorily required to be measured at fair value</b>	<b>Financial assets at amortized cost</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Accounts receivable	–	93,003,365	93,003,365
Financial assets included in prepayments, other receivables and other assets	–	3,547,590	3,547,590
Due from a related company	–	1,988,101	1,988,101
Due from immediate holding company	–	25,933,563	25,933,563
Due from fellow subsidiaries	–	1,256,262,495	1,256,262,495
Financial assets at fair value through profit or loss	989,728,800	–	989,728,800
Cash and bank balances – general accounts	–	69,509,827	69,509,827
Bank balances – segregated accounts	–	363,109,017	363,109,017
	<u>989,728,800</u>	<u>1,813,353,958</u>	<u>2,803,082,758</u>

*Financial liabilities*

	<b>Financial liabilities at amortized cost</b> <i>HK\$</i>
Clients' monies held on trust	339,791,599
Accounts payable	2,413,353
Margin loans payable	638,350,783
Other payables and accruals	9,579,790
Due to fellow subsidiaries	95,368,418
Due to immediate holding company	<u>1,381,888,789</u>
	<u>2,467,392,732</u>

As at December 31, 2017

*Financial assets*

	<b>Financial assets at fair value through profit or loss</b>		
	<b>Mandatorily required to be measured at fair value</b>	<b>Financial assets at amortized cost</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Accounts receivable	–	93,172,716	93,172,716
Financial assets included in prepayments, other receivables and other assets	–	1,832,109	1,832,109
Due from a related company	–	4,092,519	4,092,519
Due from fellow subsidiaries	–	2,458,702,841	2,458,702,841
Financial assets at fair value through profit or loss	745,629,400	–	745,629,400
Stock loan	2,203,140,000	–	2,203,140,000
Cash and bank balances – general accounts	–	86,415,282	86,415,282
Bank balances – segregated accounts	–	403,491,699	403,491,699
	<u>2,948,769,400</u>	<u>3,047,707,166</u>	<u>5,996,476,566</u>

*Financial liabilities*

	<b>Financial liabilities at amortized cost</b> <i>HK\$</i>
Clients' monies held on trust	383,304,389
Accounts payable	7,128,142
Margin loans payable	351,609,630
Other payables and accruals	6,516,678
Due to fellow subsidiaries	853,123,095
Due to immediate holding company	<u>1,640,450,071</u>
	<u>3,242,132,005</u>

As at December 31, 2018

*Financial assets*

	<b>Financial assets at fair value through profit or loss</b>		
	<b>Mandatorily required to be measured at fair value</b>	<b>Financial assets at amortized cost</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Accounts receivable	–	161,093,054	161,093,054
Financial assets included in prepayment, other receivables and other assets	–	6,042,605	6,042,605
Due from a related company	–	4,085,019	4,085,019
Due from immediate holding company	–	66,141,756	66,141,756
Due from fellow subsidiaries	–	2,596,118,859	2,596,118,859
Financial assets at fair value through profit or loss	1,953,078,309	–	1,953,078,309
Stock loan	1,535,679,600	–	1,535,679,600
Cash and bank balances – general accounts	–	126,855,518	126,855,518
Bank balances – segregated accounts	–	<u>615,491,200</u>	<u>615,491,200</u>
	<u>3,488,757,909</u>	<u>3,575,828,011</u>	<u>7,064,585,920</u>

*Financial liabilities*

	<b>Financial liabilities at amortized cost</b> <i>HK\$</i>
Clients' monies held on trust	586,891,255
Accounts payable	15,310,871
Margin loans payable	321,999,549
Other payables and accruals	25,011,870
Due to fellow subsidiaries	574,202,907
Due to immediate holding company	<u>2,145,792,209</u>
	<u>3,669,208,661</u>

**25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	<u>Carrying amounts</u>			<u>Fair values</u>		
	<u>January 1, 2017</u> <i>HK\$</i>	<u>December 31, 2017</u> <i>HK\$</i>	<u>December 31, 2018</u> <i>HK\$</i>	<u>January 1, 2017</u> <i>HK\$</i>	<u>December 31, 2017</u> <i>HK\$</i>	<u>December 31, 2018</u> <i>HK\$</i>
<b>Financial assets</b>						
Financial assets at fair value through profit or loss	989,728,800	745,629,400	1,953,078,309	989,728,800	745,629,400	1,953,078,309
Stock loan	–	<u>2,203,140,000</u>	<u>1,535,679,600</u>	–	<u>2,203,140,000</u>	<u>1,535,679,600</u>
	<u>989,728,800</u>	<u>2,948,769,400</u>	<u>3,488,757,909</u>	<u>989,728,800</u>	<u>2,948,769,400</u>	<u>3,488,757,909</u>

Management has assessed that the fair values of cash and cash balances, accounts receivable, financial assets included in prepayments, other receivables and other assets, accounts payable, other payables and accruals, clients' monies held on trust, margin loans payable, and balances with a related company, fellow subsidiaries and immediate holding company, approximate to their carrying amounts largely due to the short-term maturities of these instruments or repayable on demand.

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance director reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The valuation procedures applied include consideration of recent transactions in the same security or financial instrument, recent financing of the investee companies, economic and market conditions, current and projected financial performance of the investee companies, and the investee companies' management team as well as potential future strategies to realize the investments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

As at December 31, 2018, the fair values of unlisted debt securities- investment D and unlisted equity investment- investment F were based on the prices of recent transactions of the same instruments with the same rights of the same issuers that occurred within 12 months.

As at December 31, 2017, the fair value of unlisted equity investment- investment E was based on the prices of recent transactions occurred within 12 months without adjustment. The fair value of unlisted equity investment- investment E has been estimated using a equity value allocation valuation technique based on assumptions that are supported by observable recent transactions with similar risk characteristics. The valuation requires management to estimate the expected equity volatility and hence they are subject to uncertainty. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting periods.

Below is a summary of significant unobservable inputs to valuation of financial instruments together with a quantitative sensitivity analysis as at December 31, 2018:

	<b>Valuation Technique</b>	<b>Significant unobservable input</b>	<b>Sensitivity of Input value to the input</b>
Unlisted equity investment	Equity value allocation	Equity volatility	56.72% 5% increase/decrease in volatility result in increase/decrease in fair value by 0.27%/0.15%

**Fair Value Hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

	Fair value measurement using			Total HK\$
	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
As at January 1, 2017				
Financial assets at fair value through profit or loss	<u>989,728,800</u>	<u>–</u>	<u>–</u>	<u>989,728,800</u>
As at December 31, 2017				
Financial assets at fair value through profit or loss	730,000,000	–	15,629,400	745,629,400
Stock loan	<u>2,203,140,000</u>	<u>–</u>	<u>–</u>	<u>2,203,140,000</u>
	<u>2,933,140,000</u>	<u>–</u>	<u>15,629,400</u>	<u>2,948,769,400</u>
As at December 31, 2018				
Financial assets at fair value through profit or loss	1,671,836,400	–	281,241,909	1,953,078,309
Stock loan	<u>1,535,679,600</u>	<u>–</u>	<u>–</u>	<u>1,535,679,600</u>
	<u>3,207,516,000</u>	<u>–</u>	<u>281,241,909</u>	<u>3,488,757,909</u>

During the years ended December 31, 2017 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.



The movements in fair value measurements within Level 3 during the years are as follow:

	<b>2017</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
Unlisted debt securities and unlisted equity shares at fair value through profit or loss		
At January 1	–	15,629,400
Total unrealized gain recognized in profit or loss	18,600	54,156,295
Purchase	<u>15,610,800</u>	<u>211,456,214</u>
At December 31	<u>15,629,400</u>	<u>281,241,909</u>

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial assets and liabilities such as financial assets at fair value through profit or loss, stock loan, accounts receivable, accounts payable, financial assets included in prepayments, other receivables and other assets, other payables and accruals, clients' monies held on trust, margin loans payable, amounts with related company, fellow subsidiaries and immediate holding company which primarily arise directly from its operations.

The main risks arising from the Group's financial instruments are price risk, foreign currency risk, credit risk and liquidity risk. Management manages and monitors these risks to ensure appropriate measures are implemented on a timely and effective manner.

### *Price risk*

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual securities.

The Group is exposed to equity securities price risk because certain investments held by the Group are classified in the consolidated statements of financial position as financial assets at fair value through profit or loss. Result for the year would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss. At December 31, 2017 and 2018, if there had been a 5% increase/decrease in the market value of financial assets at fair value through profit or loss with all other variables held constant, the Group's profit before tax would have been approximately HK\$146,657,000 and HK\$160,375,800 higher/lower.

The Group has not entered into derivative to manage such exposure.

The Group had concentration risk in its strategic investment segment as 59%, 25% and 46% of financial assets at fair value through profit or loss and stock loan at January 1, 2017, December 31, 2017 and 2018, respectively, and 100% of stock loan at December 31, 2017 and 2018 were investment in listed equity shares of Bank of Qingdao Co., Ltd.

*Foreign currency risk*

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the Group, i.e. HK\$, and therefore the Group is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise. As HK\$ is currently pegged to United States dollars (“US\$”), management considers that there is no significant foreign currency risk arising from the Group’s monetary assets denominated in US\$.

The Group’s key currency risk exposure primarily arises from accounts receivable and bank balances denominated in Australian Dollar (“AUD”), Euro (“EUR”), RMB and Taiwan New Dollar (“TWD”). As at December 31, 2017 and 2018, the carrying amounts of the Group’s major foreign currency denominated monetary assets are as follows:

*Foreign currency sensitivity*

If AUD had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group’s profit before tax for the year would be HK\$84,996 and HK\$3,536 for the years ended December 31, 2017 and 2018, respectively.

If EUR had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group’s profit before tax for the year would be HK\$4,903 for the year ended December 31, 2017.

If RMB had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group’s profit before tax for the year would be HK\$13,163 and HK\$12,405 for the years ended December 31, 2017 and 2018, respectively.

If TWD had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group’s profit before tax for the year would be HK\$277,654 and HK\$74,959 for the years ended December 31, 2017 and 2018, respectively.

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year-end exposure does not reflect the exposure during the years ended December 31, 2017 and 2018.

*Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a mean of mitigating the risk of financial loss from defaults. The Group’s exposure of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management and credit control team periodically.

The Group has concentration of credit risk as 50%, 41% and 45% of accounts receivables was due from the largest counterparty within investment banking segment at January 1, 2017, December 31, 2017 and 2018, respectively.

The carrying amount of financial assets recorded in the consolidated financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

The credit risk on liquid funds is limited because the counterparties are mainly banks and financial institutions with sound credit.

**Maximum exposure and year-end staging as at January 1, 2017, December 31, 2017 and 2018**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and the year-end staging classification as at January 1, 2017, December 31, 2017 and 2018. The amounts presented are gross carrying amounts for financial assets at amortized cost.

**As at January 1, 2017**

	12-month ECLs	Lifetime ECLs			HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Simplified approach HK\$	
Accounts receivable*	–	–	–	93,003,365	93,003,365
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,547,590	–	–	–	3,547,590
– Doubtful**	–	–	–	–	–
Due from a related company					
– Normal**	1,988,101	–	–	–	1,988,101
– Doubtful**	–	–	–	–	–
Due from immediate holding company					
– Normal**	25,933,563	–	–	–	25,933,563
– Doubtful**	–	–	–	–	–
Due from fellow subsidiaries					
– Normal**	1,256,262,495	–	–	–	1,256,262,495
– Doubtful**	–	–	–	–	–
Bank balances-segregated accounts					
– Not yet past due	363,109,017	–	–	–	363,109,017
Cash and bank balances-general accounts					
– Not yet past due	69,509,827	–	–	–	69,509,827
	<u>1,720,350,593</u>	<u>–</u>	<u>–</u>	<u>93,003,365</u>	<u>1,813,353,958</u>

\* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 11 to the consolidated financial statements.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at December 31, 2017

	12-month		Lifetime ECLs		
	ECLs				Simplified
	Stage 1	Stage 2	Stage 3	approach	
	HK\$	HK\$	HK\$	HK\$	HK\$
Accounts receivable*	–	–	–	93,172,716	93,172,716
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,832,109	–	–	–	1,832,109
– Doubtful**	–	–	–	–	–
Due from a related company					
– Normal**	4,092,519	–	–	–	4,092,519
– Doubtful**	–	–	–	–	–
Due from fellow subsidiaries					
– Normal**	2,458,702,841	–	–	–	2,458,702,841
– Doubtful**	–	–	–	–	–
Bank balances-segregated accounts					
– Not yet past due	403,491,699	–	–	–	403,491,699
Cash and bank balances-general accounts					
– Not yet past due	86,415,282	–	–	–	86,415,282
	<u>2,954,534,450</u>	<u>–</u>	<u>–</u>	<u>93,172,716</u>	<u>3,047,707,166</u>

\* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 11 to the consolidated financial statements.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

As at December 31, 2018

	12-month		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$	HK\$	HK\$	HK\$	HK\$
Accounts receivable*	–	–	–	158,518,003	158,518,003
Accounts receivable					
– Normal**	2,575,051	–	–	–	2,575,051
– Doubtful**	–	–	–	–	–
Financial assets included in prepayments, other receivables and other assets					
– Normal**	6,042,605	–	–	–	6,042,605
– Doubtful**	–	–	–	–	–
Due from a related company					
– Normal**	4,085,019	–	–	–	4,085,019
– Doubtful**	–	–	–	–	–
Due from immediate holding company					
– Normal**	66,141,756	–	–	–	66,141,756
– Doubtful**	–	–	–	–	–
Due from fellow subsidiaries					
– Normal**	2,596,118,859	–	–	–	2,596,118,859
– Doubtful**	–	–	–	–	–
Bank balances-segregated accounts					
– Not yet past due	615,491,200	–	–	–	615,491,200
Cash and bank balances-general accounts					
– Not yet past due	126,855,518	–	–	–	126,855,518
	<u>3,417,310,008</u>	<u>–</u>	<u>–</u>	<u>158,518,003</u>	<u>3,575,828,011</u>

\* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 11 to the consolidated financial statements.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

### **Liquidity risk**

The Group aims to maintain cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and loans.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

<b>January 1, 2017</b>					
	<b>Weighted average interest rate</b>	<b>On demand or less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
	<i>%</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Accounts payable	N/A	2,413,353	–	–	2,413,353
Margin loans payable	3.00% - 5.25%	638,350,783	–	–	638,350,783
Clients' monies held on trust	N/A	339,791,599	–	–	339,791,599
Other payables and accruals	N/A	9,579,790	–	–	9,579,790
Due to fellow subsidiaries	N/A	95,368,418	–	–	95,368,418
Due to immediate holding company	N/A	<u>1,381,888,789</u>	<u>–</u>	<u>–</u>	<u>1,381,888,789</u>
		<u>2,467,392,732</u>	<u>–</u>	<u>–</u>	<u>2,467,392,732</u>

<b>December 31, 2017</b>					
	<b>Weighted average interest rate</b>	<b>On demand or less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
	<i>%</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Accounts payable	N/A	7,128,142	–	–	7,128,142
Margin loans payable	5.25%	351,609,630	–	–	351,609,630
Clients' monies held on trust	N/A	383,304,389	–	–	383,304,389
Other payables and accruals	N/A	6,516,678	–	–	6,516,678
Due to fellow subsidiaries	N/A	853,123,095	–	–	853,123,095
Due to immediate holding company	N/A	<u>1,640,450,071</u>	<u>–</u>	<u>–</u>	<u>1,640,450,071</u>
		<u>3,242,132,005</u>	<u>–</u>	<u>–</u>	<u>3,242,132,005</u>

	December 31, 2018				
	Weighted average interest rate %	On demand or less than 3 months HK\$	3 months to 1 year HK\$	1 to 5 years HK\$	Total HK\$
Accounts payable	N/A	15,310,871	–	–	15,310,871
Margin loans payable	6.75%	321,999,549	–	–	321,999,549
Clients' monies held on trust	N/A	586,891,255	–	–	586,891,255
Other payables and accruals	N/A	25,011,870	–	–	25,011,870
Due to fellow subsidiaries	N/A	574,202,907	–	–	574,202,907
Due to immediate holding company	N/A	<u>2,145,792,209</u>	<u>–</u>	<u>–</u>	<u>2,145,792,209</u>
		<u>3,669,208,661</u>	<u>–</u>	<u>–</u>	<u>3,669,208,661</u>

### *Capital risk management*

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt which includes amounts due to immediate holding company, equity attributable to equity holders of the Group, comprising issued share capital, retained profits and reserves, as disclosed in consolidated statements of changes in equity.

As AMTD GM and AMTD AAAPL are licensed corporation under the Hong Kong Securities and Futures Ordinances, the Group is subject to statutory capital requirement and is required to maintain adequate financial resources to support its business. The Securities and Futures (Financial Resources) Rules require a licensed corporation to maintain liquid capital which is not less than its required liquid capital.

In addition, AMTD GM is a member of the Hong Kong Confederation of Insurance Brokers, which is required to maintain a minimum capital and net assets value of not less than HK\$100,000.

There were no changes on the Group's approach to capital risk management during the years ended December 31, 2017 and 2018.

## **27. SUBSEQUENT EVENT**

In preparing the consolidated financial statements, the Group has evaluated events and transactions for potential recognition and disclosure through June 20, 2019, the date of the audited consolidated financial statements were available to be issued.

On March 6, 2019, the Company entered into a repurchase and subscription agreement with AMTD Group and a holder of AMTD Group's medium term notes holder pursuant to which the notes holder agreed to subscribe the Company's warrant at a consideration of US\$2 million on March 8, 2019. Pursuant to the same agreement, AMTD Group would settle the accrued and unpaid interest of US\$1,413,701 with respect to the notes to the notes holder against the US\$2 million warrant consideration. On March 8, 2019, the remaining warrant consideration was fully received by AMTD Group on behalf of the Company. The warrant subscriber is entitled to exercise, in full or in part, the warrants to purchase the Company's Class A ordinary shares during the period from March 8, 2019 until and including the date falling 10 days before the Group publicly files for a U.S. initial public offering. If the Group is not publicly listed within 18 months from March 8, 2019, or other mutually agreed day, the Group shall redeem the entire outstanding face value of the warrants from the subscriber up to US\$3.68 million.

The warrant subscription price, net of the accrued and unpaid interest of AMTD Group was fully received by AMTD Group on behalf of the Company on March 8, 2019. The Company recorded US\$2 million as amount due from immediate holding company. On April 10, 2019 the warrant holder exercised the warrants in full and paid an additional amount of US\$10 million for 1,666,666 Class A ordinary shares.

Between April 26, 2019 and June 19, 2019 the Company issued 8,236,838 Class A ordinary shares to third parties for an aggregate consideration of US\$53.5 million.

In June 2019, the Group adopted a share incentive plan (the "2019 Plan") for grants of share options, restricted shares, restricted share units or other types of award of the Company's ordinary shares to directors, employees and consultants of the Company and its subsidiaries. The 2019 Plan will expire on the tenth anniversary of the effective date. The maximum aggregate number of ordinary shares that may be issued pursuant to all awards under the 2019 Plan shall initially be 20,000,000 and on January 1 of each year after the effective date, automatically increase to the number of ordinary shares that is equal to 10% of the total issued and outstanding share capital of the Company as of December 31 of the preceding year. The maximum term to exercise of an option shall not exceed ten years from the date of the grant. However, for share options granted to any individual who owns more than 10% of the total combined voting power of all classes of shares of the Company or any parent or subsidiary of the Company, such options may not be exercisable for more than five years from the date of grant. As of the date of the consolidated financial statements were issued, the Group's board of directors has not approved any grants of share options, restricted shares or restricted share units to its directors, employees and consultants.

## **28. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorized for issue by the Board of Directors on May 28, 2019, except for Note 27, as to which the date is June 20, 2019.



2. The following is an extract of the unaudited condensed financial statements of AMTD for the nine ended 30 September 2018 and 2019 from the interim financial results of AMTD for the nine months ended 30 September 2019 dated 31 December 2019.

	<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2019</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>REVENUE</b>		
Fee and commission income	246,622,869	422,052,516
Dividend and gain related to disposed investment	<u>99,227,724</u>	<u>100,551,728</u>
	345,850,593	522,604,244
Net fair value changes on financial assets at fair value through profit or loss	<u>(488,890,720)</u>	<u>519,403,870</u>
	(143,040,127)	1,042,008,114
Other income	15,387,129	7,466,148
Operating expenses, net	(47,045,850)	(74,136,643)
Staff costs	(60,973,034)	(78,102,347)
Finance costs	<u>(6,546,500)</u>	<u>(16,162,042)</u>
<b>(LOSS) / PROFIT BEFORE TAX</b>	(242,218,382)	881,073,230
Income tax credit / (expense)	<u>51,594,722</u>	<u>(139,730,587)</u>
<b>(LOSS) / PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>(190,623,660)</u>	<u>741,342,643</u>
<b>Attributable to:</b>		
Owners of the parent	(116,643,176)	848,711,074
Non-controlling interests	<u>(73,980,484)</u>	<u>(107,368,431)</u>
	<u>(190,623,660)</u>	<u>741,342,643</u>

	Nine months ended September 30,	
	2018	2019
	HK\$	HK\$
(LOSS) / EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Class A ordinary shares:		
Basic, (loss) / profit for period attributable to ordinary equity holders of the parent	–	4.04
Diluted, (loss) / profit for period attributable to ordinary equity holders of the parent	<u>–</u>	<u>4.04</u>
Class B ordinary shares:		
Basic, (loss) / profit for period attributable to ordinary equity holders of the parent	(0.58)	4.04
Diluted, (loss) / profit for period attributable to ordinary equity holders of the parent	<u>(0.58)</u>	<u>4.04</u>

**AMTD INTERNATIONAL INC.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS**  
**OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018 AND SEPTEMBER 30, 2019**

	<b>December 31, 2018 HK\$</b>	<b>September 30, 2019 HK\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable	161,093,054	170,601,380
Prepayments, other receivables and other assets	33,343,859	53,511,853
Due from a related company	4,085,019	4,085,019
Due from the immediate holding company	66,141,756	1,951,534,980
Due from fellow subsidiaries	2,596,118,859	–
Financial assets at fair value through profit or loss	1,953,078,309	1,750,862,599
Stock loans	1,535,679,600	1,376,205,180
Derivative financial instruments	–	807,618,000
Cash and bank balances – general accounts	126,855,518	669,130,849
Bank balances – segregated accounts	615,491,200	287,968,500
	<u>7,091,887,174</u>	<u>7,071,518,360</u>
<b>Total current assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	131,206	45,437
Intangible assets	15,171,170	15,171,170
	<u>15,302,376</u>	<u>15,216,607</u>
<b>Total non-current assets</b>		
	<u>7,107,189,550</u>	<u>7,086,734,967</u>
<b>Total assets</b>		
<b>Equity and liabilities</b>		
<b>Current liabilities</b>		
Clients' monies held on trust	586,891,255	300,429,276
Accounts payable	15,310,871	6,725,012
Margin loans payable	321,999,549	321,775,552
Other payables and accruals	80,123,688	182,275,576
Due to fellow subsidiaries	574,202,907	–
Due to the immediate holding company	2,145,792,209	–
Tax payable	25,109,794	76,076,332
	<u>3,749,430,273</u>	<u>887,281,748</u>
<b>Total current liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	163,357,177	242,913,577
	<u>3,912,787,450</u>	<u>1,130,195,325</u>
<b>Total liabilities</b>		

	<b>December 31, 2018</b>	<b>September 30, 2019</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Equity</b>		
Share capital		
Class A ordinary shares (par value of US\$0.0001 per share as at December 31, 2018 and September 30, 2019; nil and 8,000,000,000 shares authorized as at December 31, 2018 and September 30, 2019; nil and 33,777,159 shares issued and outstanding as at December 31, 2018 and September 30, 2019, respectively)	–	26,440
Class B ordinary shares (par value of US\$0.0001 per share as at December 31, 2018 and September 30, 2019; 2,000,000,000 shares authorized as at December 31, 2018 and September 30, 2019; 200,000,001 shares issued and outstanding as at December 31, 2018 and September 30, 2019, respectively)	156,998	156,998
Capital reserves	1,312,802,676	3,768,803,001
Retained profits	<u>1,338,842,129</u>	<u>2,187,553,203</u>
Total ordinary shareholders' equity	2,651,801,803	5,956,539,642
Non-controlling interests	<u>542,600,297</u>	–
<b>Total equity</b>	<u><u>3,194,402,100</u></u>	<u><u>5,956,539,642</u></u>
<b>Total liabilities and equity</b>	<u><u>7,107,189,550</u></u>	<u><u>7,086,734,967</u></u>

**2.    MANAGEMENT DISCUSSION AND ANALYSIS OF AMTD FOR EACH OF THE YEAR ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2018 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

*For the purpose of this section only, unless the context requires otherwise, references to the “Company”, “we”, “us” and “our” refer to AMTD. Terms used below shall have the same meanings set forth in the AMTD Prospectus or the interim financial results of AMTD (form 6-K) dated 31 December 2019, as the case may be.*

1.    The following is an extract of the management discussion and analysis of the results of AMTD for the year ended 31 December 2017 and 2018 from the AMTD Prospectus. The management discussion and analysis of the results of AMTD for the three months ended 31 March 2018 and 2019 is included for information purpose only.

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the sections entitled “Risk Factors,” “Prospectus Summary–Summary Consolidated Financial Data,” “Selected Consolidated Financial Data,” and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described under “Risk Factors” and elsewhere in this prospectus. See “Special Note Regarding Forward-Looking Statements.” Our consolidated financial statements have been prepared in accordance with IFRS.*

**Overview**

We are a leading Hong Kong-headquartered comprehensive financial institution. According to the CIC Report, we are the No. 1 independent investment banking firm in Asia as measured by both the number and the aggregate offering size of Hong Kong and U.S. IPOs completed in each of 2018 and the first quarter of 2019, and the largest independent asset management firm in Asia in serving both PRC regional banks and new economy companies as measured by AUM as of March 31, 2019.

We operate a full-service platform encompassing three business lines: investment banking, asset management, and strategic investment.

- ***Leading Investment Banking Business.*** We offer a broad range of investment banking services, including equity underwriting, debt underwriting, advisory (on credit rating, financing, and mergers and acquisitions transactions), securities brokerage, institutional sales and distribution, and research, among others. According to the CIC Report, we ranked first among all independent investment banking firms in Asia as measured by both the number and the aggregate offering size of Hong Kong and U.S. IPOs completed in each of 2018 and the first quarter of 2019, and ranked ninth and third as a bookrunner among all investment banking firms as measured by the number of Hong Kong IPOs priced in 2018

and in the first quarter of 2019, respectively. We also ranked in the top ten among all global investment banking firms operating in Asia (excluding China-headquartered investment banking firms) as measured by the aggregate number of high-yield bond offerings by China-based companies and AT1 capital preferred share offerings by PRC regional banks in 2018 and the first quarter of 2019.

- ***Top-tier Asset Management Services.*** We provide professional investment management and advisory services primarily to corporate and other institutional clients. According to the CIC Report, we are one of the five largest HKSFC-licensed asset management firms headquartered in Hong Kong, and also the largest independent asset management firm in Asia in serving both PRC regional banks and new economy companies, in each case as measured by AUM as of March 31, 2019. Our AUM was HK\$20.8 billion (US\$2.6 billion) as of March 31, 2019, of which 24% is attributable to PRC regional banks and 71% is attributable to new economy companies.
- ***Proven Strategic Investment Platform.*** We make long-term strategic investments focusing on Asia’s financial and new economy sectors. Through investing in market leaders and technological innovators, we gain access to unique opportunities and resources that complement our other businesses and augment our “AMTD SpiderNet” ecosystem. In 2018, we recorded dividend and gain related to disposed investment of HK\$99.2 million (US\$12.6 million). For the three months ended March 31, 2019, we did not record dividend and gain related to disposed investment as our investee companies typically do not distribute dividend in the first quarter of each year. For the year ended December 31, 2018 and the three months ended March 31, 2019, we recorded net fair value changes on financial assets at fair value through profit or loss of HK\$256.5 million (US\$32.7 million) and HK\$124.2 million (US\$15.8 million), respectively, both from our strategic investment business.

### **General Factors Affecting Our Results of Operations**

Our business and results of operations are affected by a number of general factors affecting the financial services industry in Hong Kong, including:

- the overall economic environment in Hong Kong and China;
- the conditions and trends of capital markets; and
- government policies and initiatives affecting the financial services industry in Hong Kong and China.

Unfavorable changes in any of these general conditions could adversely affect demand for our services and materially and adversely affect our results of operations. However, the Hong Kong and PRC governments’ development plans and policies, including those relating to the development of the Greater Bay Area, are expected to boost the future development of the financial services industry in Hong Kong.

**Specific Factors Affecting Our Results of Operations***Our business lines and revenue mix*

Our businesses have different future growth prospects and, as a result, any material changes in the contribution mix of our business lines, whether due to changes in our growth strategies, market conditions, client demand, or other reasons, may affect our results of operations. The results of our investment banking and strategic investment businesses may fluctuate, sometimes significantly, due to market conditions. Positive market conditions may generally result in larger average transaction size of public equity and debt offerings and higher valuation of private companies, which in turn may strengthen the results of our investment banking and strategic investment businesses. On the other hand, these businesses may be affected by negative market conditions and report results below expectation. Our historical results of operations were significantly affected by the revenue contribution of our investment banking and strategic investment businesses. For the years ended December 31, 2017 and 2018 and the three months ended March 31, 2019, fee and commission income from our investment banking business and asset management business accounted for 27.0%, 50.8%, and 59.4% of our total revenue, respectively; dividend and gain related to disposed investment from our strategic investment business accounted for 6.7%, 13.7%, and nil of our total revenue, respectively; and net fair value changes on financial assets at fair value through profit or loss from our strategic investment business accounted for 66.3%, 35.5%, and 40.6% of our total revenue, respectively.

We seek to optimize our revenue mix by increasing the revenue contribution from our asset management business, which is generally perceived to have steady growth potential. We also seek to further expand our investment banking business as we strengthen our brand image in the capital markets. Our future results of operations could be materially affected by our ability to develop and bring new services to market, to deal with new clients and counterparties, to manage new asset classes, and to engage in new markets.

*Our ability to expand our investment banking business*

The investment banking business is the largest driver for our fee and commission income. Due to the nature of public and private capital raising transactions, transaction value is a principal factor affecting the prospects and results of operations of our investment banking business. The transaction value in turn could be affected by various factors, such as the macroeconomic environment, market conditions, competition, our brand and reputation, and our performance in delivering satisfactory results to clients. Any change in these factors could materially affect our results of operations. For our investment banking business, we charge fees and commissions by a percentage of the underlying transaction value and record them as fee and commission income. Although market practices allow micro-adjustments of fee percentages upward or downward for transactions of smaller or larger sizes, respectively, such micro-adjustments do not negate the significant impact of transaction value on our results of operations. A significant increase or decrease in the aggregate value of underlying transactions during a reporting period could result in a significant increase or decrease in our fee and commission income, which in turn could affect our results of operations. In addition, the results of operations of our investment banking business is also affected by the rate of fees and commissions that we collect in capital raising transactions, which in turn could be affected by our role in the capital

raising transactions. As we continue to accumulate investment banking transaction experience and strengthen our brand image, we expect to further increase our exposure to larger, more complex transactions and our contribution to the underwriting syndicate, which may further improve our results of operations.

***Our ability to make sound investment decisions***

We derive a significant portion of our revenue from our strategic investment business, where we make principal investments using entirely our own capital. For the years ended December 31, 2017 and 2018 and the three months ended March 31, 2019, dividend and gain related to disposed investment from our strategic investment business accounted for 6.7%, 13.7%, and nil of our total revenue, respectively, and net fair value changes on financial assets at fair value through profit or loss from our strategic investment business accounted for 66.3%, 35.5%, and 40.6% of our total revenue, respectively. The fair value of our investment holdings may fluctuate due to market volatility, performance, or other reasons, and the growth of our strategic investment business depends, in part, on our ability to make sound investment decisions. Making a sound investment decision requires us to carefully identify and select a target company based on its business, financial condition, operations, and the industry in which it operates, and could significantly improve our results of operations.

***Our ability to attract, retain, and motivate people***

It is essential for us to attract, retain, and motivate talent because our businesses are human capital intensive. We believe that it is necessary and customary to invest in people, arguably our most important assets, with attractive compensation packages, as we compete to attract, retain, and motivate qualified employees. Our staff costs for the years ended December 31, 2017 and 2018 and the three months ended March 31, 2019, were HK\$102.2 million, HK\$68.0 million (US\$8.7 million), and HK\$19.8 million (US\$2.5 million), respectively, representing 9.9%, 9.4%, and 6.5% of our total revenue for the corresponding periods. Our staff costs have historically been comprised of entirely cash-based compensation and benefits, although we may establish employee equity incentive plans to further invest in our people, for which we may incur share-based compensation expenses that could adversely affect our results of operations. Nevertheless, highly incentivized professionals and other talent could potentially enable us to achieve great business prospects and results of operations.

***Our ability to comply with regulatory requirements***

Our investment banking and asset management businesses are subject to various regulatory regimes in Hong Kong. Compliance with regulatory requirements will result in higher operating expenses. Two of our subsidiaries, AMTD Global Markets Limited and Asia Alternative Asset Partners Limited, are HKSFC-licensed companies subject to various requirements of minimum paid-up capital and minimum liquidity under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. The relevant capital requirements may be changed over time or subject to different interpretations by relevant governmental authorities, all of which are out of our control. Any increase of the relevant capital requirements or stricter enforcement or interpretation of the same may affect our business activities and liquidity.



**Key Components of Results of Operations**

**Revenue**

Our revenue consists of (i) fee and commission income, (ii) dividend and gain related to disposed investment, and (iii) net fair value changes on financial assets at fair value through profit or loss. The following table sets forth a breakdown of our revenue in absolute amount and as a percentage of total revenue for the periods presented.

	For the Year Ended December 31,					For the Three Months Ended March 31,				
	2017		2018			2018		2019		
	HK\$	%	HK\$	US\$	%	HK\$	%	HK\$	US\$	%
	<i>(in thousands, except for percentages)</i>									
<b>Revenue</b>										
Fee and commission income	278,976	27.0	367,538	46,821	50.8	22,792	(12.3)	181,523	23,125	59.4
Dividend and gain related to disposed investment	69,509	6.7	99,228	12,641	13.7	-	-	-	-	-
Net fair value changes on financial assets at fair value through profit or loss	684,679	66.3	256,460	32,671	35.5	(208,571)	112.3	124,156	15,816	40.6
<b>Total</b>	<u>1,033,164</u>	<u>100.0</u>	<u>723,226</u>	<u>92,133</u>	<u>100.0</u>	<u>(185,779)</u>	<u>100.0</u>	<u>305,679</u>	<u>38,941</u>	<u>100.0</u>

**Fee and commission income**

The following table sets forth a breakdown of our fee and commission income in absolute amount and as a percentage of total fee and commission income for the periods presented.

	For the Year Ended December 31,					For the Three Months Ended March 31,				
	2017		2018			2018		2019		
	HK\$	%	HK\$	US\$	%	HK\$	%	HK\$	US\$	%
	<i>(in thousands, except for percentages)</i>									
<b>Fee and Commission Income</b>										
Investment banking fees and commissions	208,163	74.6	288,591	36,764	78.5	9,806	43.0	149,763	19,079	82.5
Asset management fees and other income	70,813	25.4	78,947	10,057	21.5	12,986	57.0	31,760	4,046	17.5
<b>Total</b>	<u>278,976</u>	<u>100.0</u>	<u>367,538</u>	<u>46,821</u>	<u>100.0</u>	<u>22,792</u>	<u>100.0</u>	<u>181,523</u>	<u>23,125</u>	<u>100.0</u>

We derive fee and commission income from two business lines: investment banking and asset management. Investment banking business represents the primary source of our fee and commission income, which we earn primarily from underwriting IPOs and bond offerings and advising on private financing and mergers and acquisitions transactions. We also derive asset management fees and other income from asset management business.

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We charge asset management fees on a client-by-client basis with reference to the size of AUM and do not distinguish among product types when determining asset management fee rates. The following table sets forth the rollforward of our AUM for the periods presented.

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2017	2018		2018	2019	
	<i>HK\$</i>	<i>HK\$</i>	<i>US\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>US\$</i>
	<i>(in thousands)</i>					
<b>AUM</b>						
Balance at the beginning of the period	8,294,221	14,822,265	1,888,235	14,822,265	18,263,267	2,326,591
Gross inflow <sup>(1)</sup>	23,570,034	26,873,309	3,423,439	2,572,268	13,516,511	1,721,892
Gross outflow <sup>(2)</sup>	(17,690,026)	(22,819,606)	(2,907,030)	(1,379,917)	(11,304,596)	(1,440,113)
Appreciation/ (Depreciation) of clients' portfolio <sup>(3)</sup>	<u>648,036</u>	<u>(612,701)</u>	<u>(78,053)</u>	<u>(77,919)</u>	<u>280,445</u>	<u>35,726</u>
Balance at the end of the period	<u><u>14,822,265</u></u>	<u><u>18,263,267</u></u>	<u><u>2,326,591</u></u>	<u><u>15,936,697</u></u>	<u><u>20,755,627</u></u>	<u><u>2,644,096</u></u>

*Notes:*

- (1) Gross inflow represents cash and stock deposits.
- (2) Gross outflow represents cash and stock withdrawals.
- (3) Appreciation/(Depreciation) of clients' portfolio represents net balance of dividend and coupon received, fee charges, and fair value change of clients' portfolio.

The following table sets forth the weighted average asset management fee rates for the periods presented.

	For the Year Ended		For the Three Months	
	December 31,		Ended March 31,	
	2017	2018	2018	2019
Weighted Average Asset Management Fee Rate <sup>(1)</sup>	0.55%	0.45%	0.08%	0.16%

*Note:*

- (1) Calculated by dividing total asset management fee income for the period by average AUM for the corresponding period, which is in turn calculated by dividing the sum of AUM at the beginning and end of the relevant period by two.

The weighted average asset management fee rate decreased from 0.55% in 2017 to 0.45% in 2018, primarily due to significant additional AUM attributable to a PRC bank client subject to below-average asset management fee rate and reduced performance fee income due to challenging global market conditions in 2018. The weighted average asset management fee rate increased from 0.08% for the three months ended March 31, 2018 to 0.16% for the three months ended March 31, 2019, primarily due to additional AUM attributable to new economy company clients subject to above-average asset management fee rate since the fourth quarter of 2018. On an annualized basis, the annualized weighted average asset management fee rate for the three months ended March 31, 2019 would have been higher than the weighted average asset management fee rate in 2018.

*Dividend and gain related to disposed investment*

We make equity investments with our own capital in companies of our strategic choice, and we intend to hold our strategic investments on a long-term basis. Our dividend and gain related to disposed investment in 2017 primarily consist of a gain of HK\$46.9 million attributable to the disposal of our investments in 2017. Our dividend and gain related to disposed investment in 2018 solely consisted of dividend income attributable to our equity holdings in Bank of Qingdao.

*Net fair value changes on financial assets at fair value through profit or loss*

We record net fair value changes on financial assets at fair value through profit or loss with respect to our strategic investments, which primarily include equity investments in Bank of Qingdao and three private companies. For a discussion of fair value measurement of our financial assets, see “Significant Accounting Policies–Fair Value Measurement” and “Significant Accounting Policies–Investments and Other Financial Assets.” For a discussion of our investment portfolio, see “Business–Our Services–Strategic Investment–Investment Portfolio.”

*Other income*

Other income consists of (i) bank interest income, (ii) income attributable to the reimbursement of interest expenses paid on behalf of a Controlling Shareholder’s subsidiary, and (iii) other non-recurring miscellaneous income.

*Operating expenses*

Our operating expenses consist of (i) marketing and brand promotional expenses relating to brand building and promotion, (ii) premises costs and office utilities, (iii) traveling expenses for domestic and international travel and business development, (iv) commissions paid to asset management sales personnel and bank charges, (v) office renovation and maintenance expenses, (vi) legal and professional fees for business development, (vii) staff welfare and recruitment expenses, (viii) stamp duty paid in connection with our restructuring, and (ix) other miscellaneous expenses.

## APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF AMTD

The following table sets forth a breakdown of our operating expenses in absolute amount and as a percentage of total operating expenses for the periods presented.

	For the Year Ended December 31,					For the Three Months Ended March 31,				
	2017		2018			2018		2019		
	HK\$	%	HK\$	US\$	%	HK\$	%	HK\$	US\$	%
<i>(in thousands, except for percentages)</i>										
<b>Operating Expenses</b>										
Marketing and brand										
promotional expenses	26,208	23.5	11,864	1,512	22.6	4,484	32.7	4,401	561	17.7
Premises costs and office										
utilities	25,783	23.1	15,583	1,985	29.6	3,869	28.2	5,990	763	24.1
Traveling and business										
development expenses	18,460	16.5	10,860	1,384	20.7	2,526	18.4	3,251	414	13.1
Commissions and bank charges	7,978	7.2	5,198	662	9.9	953	6.9	2,364	301	9.5
Office renovation and										
maintenance expenses	15,880	14.2	1,603	204	3.0	468	3.4	597	76	2.4
Legal and professional fees	5,772	5.2	2,439	311	4.6	283	2.1	5,384	686	21.6
Staff welfare and staff										
recruitment expenses	7,637	6.9	3,660	466	7.0	904	6.6	625	80	2.5
Stamp duty	-	-	-	-	-	-	-	2,116	270	8.5
Others	3,845	3.4	1,375	175	2.6	238	1.7	145	18	0.6
<b>Total</b>	<u>111,563</u>	<u>100.0</u>	<u>52,582</u>	<u>6,699</u>	<u>100.0</u>	<u>13,725</u>	<u>100.0</u>	<u>24,873</u>	<u>3,169</u>	<u>100.0</u>

### *Staff costs*

Staff costs consist of employee salaries, bonuses, and pension scheme contributions. The following table sets forth a breakdown of our staff costs for the periods presented.

	For the Year Ended			For the Three Months Ended		
	December 31,			March 31,		
	2017	2018	2018	2018	2019	2019
	HK\$	HK\$	US\$	HK\$	HK\$	US\$
<i>(in thousands)</i>						
<b>Staff Costs</b>						
Salaries	43,066	39,298	5,006	11,438	13,911	1,772
Bonuses	58,027	27,890	3,553	7,073	5,598	713
Pension scheme						
contributions	1,112	837	107	267	305	39
<b>Total</b>	<u>102,205</u>	<u>68,025</u>	<u>8,666</u>	<u>18,778</u>	<u>19,814</u>	<u>2,524</u>

*Finance costs*

Finance costs represent our interest expenses payable on our margin loans.

*Taxation*

We had income tax expenses of HK\$135.2 million, HK\$83.8 million (US\$10.7 million), and HK\$42.2 million (US\$5.4 million) for the years ended December 31, 2017 and 2018 and the three months ended March 31, 2019, respectively. The following summarizes our applicable tax rates in the Cayman Islands and Hong Kong.

*Cayman Islands*

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties, which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

*Hong Kong*

Our Hong Kong subsidiaries are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. Under the Hong Kong tax laws, our Hong Kong subsidiaries are exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiaries to us are not subject to any Hong Kong withholding tax.

## APPENDIX IV      MANAGEMENT DISCUSSION AND ANALYSIS OF AMTD

### Results of Operations

The following table sets forth a summary of our consolidated results of operations in absolute amount and as a percentage of our total revenue for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,					For the Three Months Ended March 31,				
	2017		2018			2018		2019		
	HK\$	%	HK\$	US\$	%	HK\$	%	HK\$	US\$	%
	<i>(in thousands, except for percentages)</i>									
<b>Revenue</b>										
Fee and commission income	278,976	27.0	367,538	46,821	50.8	22,792	(12.3)	181,523	23,125	59.4
Dividend and gain related to disposed investment	<u>69,509</u>	<u>6.7</u>	<u>99,228</u>	<u>12,641</u>	<u>13.7</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Sub-total	348,485	33.7	466,766	59,462	64.5	22,792	(12.3)	181,523	23,125	59.4
Net fair value changes on financial assets at fair value through profit or loss	<u>684,679</u>	<u>66.3</u>	<u>256,460</u>	<u>32,671</u>	<u>35.5</u>	<u>(208,571)</u>	<u>112.3</u>	<u>124,156</u>	<u>15,816</u>	<u>40.6</u>
<b>Total revenue</b>	1,033,164	100.0	723,226	92,133	100.0	(185,779)	100.0	305,679	38,941	100.0
Other income	17,915	1.7	15,393	1,961	2.1	14,264	(7.7)	808	103	0.3
Operating expenses	(111,563)	(10.8)	(52,582)	(6,699)	(7.2)	(13,725)	7.4	(24,873)	(3,169)	(8.1)
Staff costs	(102,205)	(9.9)	(68,025)	(8,666)	(9.4)	(18,778)	10.1	(19,814)	(2,524)	(6.5)
Finance costs	<u>(28,725)</u>	<u>(2.8)</u>	<u>(9,047)</u>	<u>(1,152)</u>	<u>(1.3)</u>	<u>(4,532)</u>	<u>2.4</u>	<u>(5,359)</u>	<u>(683)</u>	<u>(1.8)</u>
<b>Profit/(Loss) before tax</b>	808,586	78.2	608,965	77,577	84.2	(208,550)	112.2	256,441	32,668	83.9
Income tax (expense) / credit	<u>(135,214)</u>	<u>(13.1)</u>	<u>(83,840)</u>	<u>(10,680)</u>	<u>(11.6)</u>	<u>34,159</u>	<u>(18.4)</u>	<u>(42,232)</u>	<u>(5,380)</u>	<u>(13.8)</u>
<b>Profit/(Loss) and total comprehensive income/ (loss) for the period</b>	<u><u>673,372</u></u>	<u><u>65.1</u></u>	<u><u>525,125</u></u>	<u><u>66,897</u></u>	<u><u>72.6</u></u>	<u><u>(174,391)</u></u>	<u><u>93.8</u></u>	<u><u>214,209</u></u>	<u><u>27,288</u></u>	<u><u>70.1</u></u>

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**APPENDIX IV      MANAGEMENT DISCUSSION AND ANALYSIS OF AMTD**


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***Segment Information***

We report our results of operations in three reportable segments: investment banking, asset management, and strategic investment, which correspond to our business lines. The following table sets forth certain financial information of our reportable segments for the periods presented.

	For the Year Ended			For the Three Months Ended		
	December 31,			March 31,		
	2017	2018		2018	2019	
	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	<i>(in thousands)</i>					
<b>Investment Banking</b>						
Segment revenue	208,163	288,591	36,764	9,806	149,763	19,079
Segment results <sup>(1)</sup>	197,333	254,901	32,472	2,144	142,444	18,146
<b>Asset Management</b>						
Segment revenue	70,813	79,120	10,079	12,986	31,760	4,046
Segment results <sup>(1)</sup>	48,059	57,386	7,311	6,909	28,057	3,574
<b>Strategic Investment</b>						
Segment revenue	754,188	355,688	45,312	(208,571)	124,156	15,816
Segment results <sup>(1)</sup>	739,674	350,307	44,626	(210,565)	118,797	15,134
<b>Total segment results</b>	<u>985,066</u>	<u>662,594</u>	<u>84,409</u>	<u>(201,512)</u>	<u>289,298</u>	<u>36,854</u>

*Note:*

- (1) The segment results represent segment revenue that excludes (i) staff costs for the applicable segment, (ii) finance costs for our strategic investment business, and (iii) commissions payable to employees under our asset management business.

For reconciliation of segment revenue to consolidated revenue and reconciliation of segment results to consolidated profit before tax, see note 4 to our consolidated financial statements for the years ended December 31, 2017 and 2018 and note 3 to our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2018 and 2019 included elsewhere in this prospectus.

*Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018**Revenue*

Our revenue was HK\$305.7 million (US\$38.9 million) for the three months ended March 31, 2019, compared to a negative amount of HK\$185.8 million for the three months ended March 31, 2018. This is primarily due to a significant fluctuation in our net fair value changes on financial assets at fair value through profit or loss under our strategic investment business from negative position to positive position and a significant increase in our fee and commission income under our investment banking and asset management businesses.

Fee and commission income. Our fee and commission income increased significantly from HK\$22.8 million for the three months ended March 31, 2018 to HK\$181.5 million (US\$23.1 million) for the three months ended March 31, 2019, primarily due to the robust growth of our investment banking business in terms of the number and size of deals.

- *Investment banking segment.* Our fee and commission income from the investment banking segment increased significantly from HK\$9.8 million for the three months ended March 31, 2018 to HK\$149.8 million (US\$19.1 million) for the three months ended March 31, 2019, primarily due to an increase in our fees and commissions for equity offerings from HK\$0.5 million to HK\$99.7 million (US\$12.7 million) for the corresponding periods, which in turn was primarily attributable to increase in the aggregate transaction value of equity offerings from HK\$0.6 billion to HK\$8.1 billion (US\$1.0 billion) and the number of equity offerings from 1 to 9 for the corresponding periods, as well as an increase in our fees and commissions for debt offerings from HK\$9.3 million to HK\$50.1 million (US\$6.4 million) for the corresponding periods, which in turn was primarily attributable to an increase in the revenue per debt offering from HK\$1.3 million to HK\$5.6 million (US\$0.7 million) and the number of debt offerings from 7 to 9 for the corresponding periods.
- *Asset management segment.* Our fee and commission income from the asset management segment increased by 144.6% from HK\$13.0 million for the three months ended March 31, 2018 to HK\$31.8 million (US\$4.0 million) for the three months ended March 31, 2019, primarily due to an increase in our AUM from HK\$15.9 billion as of March 31, 2018 to HK\$20.8 billion (US\$2.6 billion) as of March 31, 2019 and an increase in average asset management fee rates, which in turn was primarily attributable to an increase in new asset management clients with higher asset management fee rates in the fourth quarter of 2018.

Net fair value changes on financial assets at fair value through profit or loss. Our net fair value changes on financial assets at fair value through profit or loss was HK\$124.2 million (US\$15.8 million) for the three months ended March 31, 2019, compared to a negative position of HK\$208.6 million for the three months ended March 31, 2018, primarily due to change in fair value of our investment portfolio in the corresponding periods, which in turn was primarily attributable to the different price movements of the underlying listed securities in our portfolio during the respective periods.



*Other income*

Our other income decreased by 94.3% from HK\$14.3 million for the three months ended March 31, 2018 to HK\$0.8 million (US\$0.1 million) for the three months ended March 31, 2019, primarily due to one-off early termination compensation received from a former employee in 2018.

*Operating expenses*

Our operating expenses increased by 81.2% from HK\$13.7 million for the three months ended March 31, 2018 to HK\$24.9 million (US\$3.2 million) for the three months ended March 31, 2019, primarily due to (i) an increase in premises costs and office utilities from HK\$3.9 million to HK\$6.0 million (US\$0.8 million) for the corresponding periods, which in turn was primarily attributable to the procurement and upgrade of our information and corporate systems, (ii) an increase in commissions and bank charges from HK\$1.0 million to HK\$2.4 million (US\$0.3 million) for the corresponding periods, which in turn was primarily attributable to fees charged in obtaining new margin loans, (iii) an increase in professional fees from HK\$283 thousand to HK\$5.4 million (US\$0.7 million) for the corresponding periods, which in turn was primarily attributable to the professional fees related to this offering, (iv) an increase in stamp duty from nil to HK\$2.1 million (US\$0.3 million) for the corresponding periods, which in turn was primarily attributable to stamp duty paid in connection with our restructuring.

*Staff costs*

Our staff costs remained steady at HK\$18.8 million for the three months ended March 31, 2018 and HK\$19.8 million (US\$2.5 million) for the three months ended March 31, 2019.

*Finance costs*

Our finance costs increased by 18.3% from HK\$4.5 million for the three months ended March 31, 2018 to HK\$5.4 million (US\$0.7 million) for the three months ended March 31, 2019, primarily due to increase in interest rates on our loans.

*Income tax credit / (expense)*

Our income tax expense was HK\$42.2 million (US\$5.4 million) for the three months ended March 31, 2019, compared to income tax credit of HK\$34.2 million for the three months ended March 31, 2018, resulting from reversal of deferred tax liabilities from accumulated unrealized gain on our investment portfolios.

*Profit / (Loss) and total comprehensive income / (loss) for the period*

As a result of the foregoing, we had profit and total comprehensive income of HK\$214.2 million (US\$27.3 million) for the three months ended March 31, 2019, compared to loss and total comprehensive loss of HK\$174.4 million for the three months ended March 31, 2018.

*Year Ended December 31, 2018 Compared to Year Ended December 31, 2017**Revenue*

Our revenue decreased by 30.0% from HK\$1.0 billion in 2017 to HK\$723.2 million (US\$92.1 million) in 2018, primarily due to a significant decrease in net fair value changes on financial assets at fair value through profit or loss under our strategic investment business, partially offset by an increase in our fee and commission income.

Fee and commission income. Our fee and commission income increased by 31.7% from HK\$279.0 million in 2017 to HK\$367.5 million (US\$46.8 million) in 2018, primarily due to the robust growth of our investment banking business.

- *Investment banking segment.* Our fee and commission income from the investment banking segment increased by 38.6% from HK\$208.2 million in 2017 to HK\$288.6 million (US\$36.8 million) in 2018, primarily due to an increase in our fees and commissions for equity offerings from HK\$79.0 million in 2017 to HK\$182.4 million (US\$23.2 million) in 2018, which in turn was primarily attributable to an increase in aggregate transaction value of equity offerings from HK\$18.7 billion in 2017 to HK\$97.6 billion (US\$12.4 billion) in 2018 and an increase in the number of equity offerings from 2 in 2017 to 18 in 2018, partially offset by a decrease in our fees and commissions for debt offerings from HK\$101.9 million in 2017 to HK\$34.6 million (US\$4.4 million) in 2018, which in turn was primarily attributable to a decrease in aggregate transaction value of debt offerings from HK\$151.5 billion in 2017 to HK\$55.9 billion (US\$7.1 billion) in 2018 and a decrease in the number of debt offerings from 37 in 2017 to 23 in 2018.
- *Asset management segment.* Our fee and commission income from the asset management segment increased by 11.5% from HK\$70.8 million in 2017 to HK\$78.9 million (US\$10.1 million) in 2018, primarily due to an increase in our AUM from HK\$14.8 billion as of December 31, 2017 to HK\$18.3 billion (US\$2.3 billion) as of December 31, 2018, which in turn was primarily attributable to an increase in new asset management clients in 2018.

Dividend and gain related to disposed investment. Our dividend and gain related to disposed investment increased by 42.8% from HK\$69.5 million in 2017 to HK\$99.2 million (US\$12.6 million) in 2018, primarily due to an increase in dividend received from Bank of Qingdao from HK\$22.6 million in 2017 to HK\$99.2 million (US\$12.6 million) in 2018, which in turn was primarily attributable to an increase in our shareholding in Bank of Qingdao in late 2017.

Net fair value changes on financial assets at fair value through profit or loss. Our net fair value changes on financial assets at fair value through profit or loss decreased by 62.5% from HK\$684.7 million in 2017 to HK\$256.5 million (US\$32.7 million) in 2018, primarily due to slower increase in the fair value of our holdings in 2018 compared to 2017.

*Other income*

Our other income decreased by 14.1% from HK\$17.9 million in 2017 to HK\$15.4 million (US\$2.0 million) in 2018.

*Operating expenses*

Our operating expenses decreased by 52.9% from HK\$111.6 million in 2017 to HK\$52.6 million (US\$6.7 million) in 2018, primarily due to (i) a decrease in marketing and brand promotional expenses from HK\$26.2 million in 2017 to HK\$11.9 million (US\$1.5 million) in 2018 and a decrease in traveling and business development expenses from HK\$18.5 million in 2017 to HK\$10.9 million (US\$1.4 million) in 2018, primarily attributable to a more stringent cost control policy in 2018 compared to 2017, (ii) a decrease in premises costs and office utilities from HK\$25.8 million in 2017 to HK\$15.6 million (US\$2.0 million) in 2018 following the introduction of new business initiatives of our Controlling Shareholder in 2018, resulting in the decrease in our share of the office space; (iii) a decrease in office renovation and maintenance expenses from HK\$15.9 million in 2017 to HK\$1.6 million (US\$0.2 million) in 2018, primarily attributable to a one-off significant write-down of HK\$14.1 million (US\$1.8 million) for renovation demolished, which was recharged by our Controlling Shareholder in 2017.

*Staff costs*

Our staff costs decreased by 33.4% from HK\$102.2 million in 2017 to HK\$68.0 million (US\$8.7 million) in 2018, primarily due to the decrease in the staff bonuses in 2018.

*Finance costs*

Our finance costs decreased by 68.5% from HK\$28.7 million in 2017 to HK\$9.0 million (US\$1.2 million) in 2018, primarily due to a HK\$351.6 million (US\$44.8 million) repayment in 2018 of our margin loans brought forward from 2017.

*Income tax expense*

We incurred income tax expense of HK\$135.2 million and HK\$83.8 million (US\$10.7 million) in 2017 and 2018, respectively. The decrease in our income tax expense resulted from the lower net assessable profit position of certain operating entities in Hong Kong in 2018.

*Profit and total comprehensive income for the period*

As a result of the foregoing, our profit and total comprehensive income decreased by 22.0% from HK\$673.4 million in 2017 to HK\$525.1 million (US\$66.9 million) in 2018.

**Discussion of Certain Key Items on the Consolidated Statements of Financial Position**

The following table sets forth certain key information from our consolidated statements of financial position as of the dates indicated. This information should be read together with our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of December 31,			As of March 31,	
	2017	2018	2018	2019	2019
	HK\$	HK\$	US\$	HK\$	US\$
	<i>(in thousands)</i>				
<b>Assets:</b>					
Accounts receivable	93,173	161,093	20,522	155,892	19,859
Due from immediate holding company	–	66,142	8,426	81,808	10,422
Due from fellow subsidiaries	2,458,703	2,596,119	330,724	2,804,718	357,298
Financial assets at fair value through profit or loss	745,629	1,953,078	248,806	2,022,107	257,600
Stock loan	2,203,140	1,535,680	195,633	1,590,807	202,656
Bank balances – segregated accounts	403,492	615,491	78,409	1,104,712	140,731
Total assets	6,041,617	7,107,189	905,397	7,954,009	1,013,276
<b>Liabilities and Equity:</b>					
Clients’ monies held on trust	383,304	586,891	74,765	1,080,514	137,649
Margin loans payable	351,610	321,999	41,020	323,845	41,255
Due to immediate holding company	1,640,450	2,145,792	273,356	2,145,315	273,296
Due to fellow subsidiaries	853,123	574,203	73,149	574,434	73,178
Total liabilities	3,372,341	3,912,787	498,457	4,545,398	579,047
Total equity	2,669,276	3,194,402	406,940	3,408,611	434,229
Total liabilities and equity	6,041,617	7,107,189	905,397	7,954,009	1,013,276

***Accounts receivable***

Our accounts receivable consist of (i) receivable from investment banking services, (ii) clients’ receivable relating to asset management services, (iii) receivable from brokers and clearing house relating to asset management services, and (iv) margin loan receivable from customers relating to securities traded.

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**APPENDIX IV      MANAGEMENT DISCUSSION AND ANALYSIS OF AMTD**


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The following table sets forth a breakdown of our accounts receivable as of the dates indicated.

	As of December 31,			As of March 31,	
	2017	2018		2019	
	HK\$	HK\$	US\$	HK\$	US\$
	<i>(in thousands)</i>				
<b>Accounts Receivable</b>					
Receivable from investment					
banking services	69,555	134,856	17,180	60,693	7,731
Clients' receivable	15,748	12,849	1,637	22,105	2,816
Receivable from brokers and					
clearing house	7,870	10,813	1,377	73,094	9,312
Margin loan receivable	—	2,575	328	—	—
<b>Total</b>	<b>93,173</b>	<b>161,093</b>	<b>20,522</b>	<b>155,892</b>	<b>19,859</b>

Our accounts receivable decreased slightly from HK\$161.1 million as of December 31, 2018 to HK\$155.9 million (US\$19.9 million) as of March 31, 2019.

Our accounts receivable increased by 72.9% from HK\$93.2 million as of December 31, 2017 to HK\$161.1 million (US\$20.5 million) as of December 31, 2018, primarily due to an increase in receivable from investment banking services from HK\$69.6 million as of December 31, 2017 to HK\$134.9 million (US\$17.2 million) as of December 31, 2018, which was primarily attributable to certain unsettled balances of investment banking projects completed near the end of 2018.

The settlement terms of our accounts receivable vary depending on the type of accounts receivable. The normal settlement terms of receivable from investment banking services are specifically agreed between the contracting parties. Receivable from investment banking services does not bear interest. The normal settlement terms of clients' receivable and receivable from brokers and clearing house relating to asset management services are either two days after the trade date or specifically agreed upon with brokers and clearing houses. Overdue clients' receivable is interest bearing.

## APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF AMTD

The following table sets forth an aging analysis of accounts receivable as of the dates indicated.

	As of December 31,			As of March 31,	
	2017	2018		2019	
	HK\$	HK\$	US\$	HK\$	US\$
	<i>(in thousands)</i>				
Not yet due	49,453	95,470	12,163	142,637	18,170
Past due					
– Within 1 month	41,553	732	93	9,786	1,247
– 1 to 3 months	1,701	841	107	1,106	141
– Over 3 months	466	64,050	8,159	2,363	301
<b>Total</b>	<u>93,173</u>	<u>161,093</u>	<u>20,522</u>	<u>155,892</u>	<u>19,859</u>

The accounts receivable past due for over three months increased significantly from HK\$0.5 million as of December 31, 2017 to HK\$64.1 million (US\$8.2 million) as of December 31, 2018 and decreased significantly to HK\$2.4 million (US\$0.3 million) as of March 31, 2019, primarily due to the outstanding balance of receivable from investment banking services of HK\$60.3 million (US\$7.7 million) in 2018 that was fully settled in the first quarter of 2019.

### *Financial assets at fair value through profit or loss*

Our financial assets at fair value through profit or loss consists of (i) listed equity securities at quoted prices, primarily including our investment in Bank of Qingdao, (ii) unlisted equity securities, and (iii) unlisted debt securities, all of which relate to our strategic investment business.

The following table sets forth a breakdown of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,			As of March 31,	
	2017	2018		2019	
	HK\$	HK\$	US\$	HK\$	US\$
	<i>(in thousands)</i>				
<b>Financial Assets at Fair Value Through Profit or Loss</b>					
Listed equity securities, at quoted prices	730,000	1,671,836	212,978	1,740,212	221,689
Unlisted equity securities	15,629	202,926	25,851	203,397	25,911
Unlisted debt securities	–	78,316	9,977	78,498	10,000
<b>Total</b>	<u>745,629</u>	<u>1,953,078</u>	<u>248,806</u>	<u>2,022,107</u>	<u>257,600</u>

Our financial assets at fair value through profit or loss increased significantly from HK\$745.6 million as of December 31, 2017 to HK\$2.0 billion (US\$248.8 million) as of December 31, 2018, primarily due to an increase in the carrying amount of listed equity securities from HK\$730.0 million as of December 31, 2017 to HK\$1.7 billion (US\$213.0 million) as of December 31, 2018, which in turn was attributable to (i) repayment of certain loaned stock of HK\$661.0 million (US\$84.2 million) from a shareholder of our Controlling Shareholder during 2018, (ii) appreciation in value of our strategic investment in Bank of Qingdao of HK\$207.4 million (US\$26.4 million), and (iii) additional investments of HK\$72.1 million (US\$9.2 million) made in 2018. As of March 31, 2019, our financial assets at fair value through profit or loss was HK\$2.0 billion (US\$257.6 million).

### ***Stock loan***

Our stock loan represents certain listed equity securities that we lent to a shareholder of our Controlling Shareholder, in September 2017 in connection with a stock borrowing and lending arrangement.

The fair value of our stock loan increased by 3.6% from HK\$1.5 billion as of December 31, 2018 to HK\$1.6 billion (US\$202.7 million) as of March 31, 2019, primarily due to appreciation in value of the loaned stock.

The fair value of our stock loan decreased by 30.3% from HK\$2.2 billion as of December 31, 2017 to HK\$1.5 billion (US\$195.6 million) as of December 31, 2018, primarily due to repayment of certain loaned stock of HK\$661.0 million (US\$84.2 million) from a shareholder of our Controlling Shareholder during 2018.

### ***Bank balances – segregated accounts***

Bank balances–segregated accounts represents clients’ monies held on trust under custody relating to our asset management and other businesses, and cannot be used to settle our own obligations. Our bank balances–segregated accounts increased by 52.5% from HK\$403.5 million as of December 31, 2017 to HK\$615.5 million (US\$78.4 million) as of December 31, 2018, and further increased by 79.5% to HK\$1.1 billion (US\$140.7 million) as of March 31, 2019, primarily due to an increase in cash components of our asset management business.

### ***Clients’ monies held on trust***

Clients’ monies held on trust represents the balance payable to clients with respective monies held in segregated bank accounts under custody relating to our asset management and other businesses. The clients’ monies held on trust increased by 53.1% from HK\$383.3 million as of December 31, 2017 to HK\$586.9 million (US\$74.8 million) as of December 31, 2018, and further increased by 84.1% to HK\$1.1 billion (US\$137.6 million) as of March 31, 2019, primarily due to an increase in cash components of our asset management business.

***Margin loans payable***

Margin loans payable represents our funding arrangement to acquire certain listed equity securities for trade settlement purposes.

Our margin loans payable decreased by 8.4% from HK\$351.6 million as of December 31, 2017 to HK\$322.0 million (US\$41.0 million) as of December 31, 2018, primarily due to repayment of existing margin loans and incurrence of new margin loans in 2018. As of March 31, 2019, our margin loans payable was HK\$323.8 million (US\$41.3 million).

***Due from/(to) immediate holding company and fellow subsidiaries***

Due from/(to) immediate holding company and fellow subsidiaries represents intercompany balances between our Controlling Shareholder and certain subsidiaries of our Controlling Shareholder, and the changes in balance were a result of the intercompany fund allocation arrangement of our Controlling Shareholder and its subsidiaries.

**Liquidity and Capital Resources**

***Cash Flows***

The following table sets forth a summary of our cash flows for the periods presented.

	For the Year Ended			For the Three Months		
	December 31,			Ended March 31,		
	2017	2018		2018	2019	
	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	<i>(in thousands)</i>					
<b>Summary Consolidated Cash Flow Data</b>						
Net cash generated from operating activities	84,327	79,112	10,078	8,969	5,784	737
Net cash used in investing activities	(139)	(14)	(2)	–	(14)	(2)
Net cash used in financing activities	(67,283)	(38,657)	(4,925)	(4,569)	(3,513)	(448)
Net increase in cash and cash equivalents	16,905	40,441	5,151	4,400	2,257	287
Cash and cash equivalents at the beginning of year	69,510	86,415	11,009	86,415	126,856	16,160
Cash and cash equivalents at the end of year	86,415	126,856	16,160	90,815	129,113	16,447



*Operating activities*

Net cash generated from operating activities for the three months ended March 31, 2019 was HK\$5.8 million (US\$0.7 million), which consists of our profit before tax of HK\$256.4 million (US\$32.7 million) as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash items primarily included HK\$124.2 million (US\$15.8 million) of net fair value changes on financial assets at fair value through profit or loss in connection with our strategic investment business, partially offset by HK\$5.4 million (US\$0.7 million) of finance costs relating to our margin loans. The principal items accounting for the changes in operating assets and liabilities were HK\$208.4 million (US\$26.5 million) of decrease in amount with subsidiaries of our Controlling Shareholder attributable to intra-group treasury fund allocation, partially offset by HK\$79.5 million (US\$10.1 million) of increase in accounts and other payables and accruals primarily attributable to increase in pending trade payables of HK\$54.8 million (US\$7.0 million).

Net cash generated from operating activities in 2018 was HK\$79.1 million (US\$10.1 million), which consists of our profit before tax of HK\$609.0 million (US\$77.6 million) as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash items primarily included HK\$256.5 million (US\$32.7 million) of fair value gain on financial assets at fair value through profit or loss in connection with our strategic investment business, partially offset by HK\$9.0 million (US\$1.2 million) of finance costs relating to our margin loans. The principal items accounting for the changes in operating assets and liabilities were (i) HK\$699.9 million (US\$89.2 million) of decrease in amount with subsidiaries of our Controlling Shareholder attributable to intra-group treasury fund allocation and (ii) HK\$67.9 million (US\$8.7 million) of increase in accounts receivable relating to the operations of our investment banking business, partially offset by (i) HK\$439.2 million (US\$56.0 million) of increase in amount with our Controlling Shareholder attributable to intra-group treasury fund allocation and (ii) HK\$81.8 million (US\$10.4 million) of increase in accounts and other payables and accruals primarily attributable to HK\$55.1 million (US\$7.0 million) of asset management fee received in advance.

Net cash generated from operating activities in 2017 was HK\$84.3 million, which consists of our profit before tax of HK\$808.6 million as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash items primarily included HK\$684.7 million of fair value gain on financial assets at fair value through profit or loss in connection with our strategic investment business, partially offset by HK\$28.7 million of finance costs relating to our margin loans. The principal item accounting for the changes in operating assets and liabilities was (i) HK\$284.5 million of increase in amount with our Controlling Shareholder attributable to allocation of costs and expenses by our Controlling Shareholder and (ii) HK\$199.9 million of decrease in financial assets at fair value through profit or loss in connection with our strategic investment business, partially offset by HK\$460.3 million of decrease in amount with subsidiaries of our Controlling Shareholder attributable to allocation of costs and expenses by our Controlling Shareholder.

*Investing activities*

Net cash used in investing activities for the three months ended March 31, 2019 was HK\$14 thousand (US\$2 thousand), which was attributable to the purchase of computer equipment.

Net cash used in investing activities in 2018 was HK\$14 thousand (US\$2 thousand), which was attributable to the purchase of office equipment.

Net cash used in investing activities in 2017 was HK\$138.7 thousand, which was attributable to the purchase of office equipment.

*Financing activities*

Net cash used in financing activities for the three months ended March 31, 2019 was HK\$3.5 million (US\$0.4 million), which was due to settlement of finance costs relating to the margin loan.

Net cash used in financing activities in 2018 was HK\$38.7 million (US\$4.9 million), which was due to repayment of margin loan payable of HK\$29.6 million (US\$3.8 million) and HK\$9.0 million (US\$1.2 million) of repayment of finance costs relating to the margin loan.

Net cash used in financing activities in 2017 was HK\$67.3 million, which was due to repayment of margin loan payable of HK\$38.6 million and HK\$28.7 million of repayment of finance costs relating to the margin loan.

Prior to this offering, our principal sources of liquidity to finance our operating and investing activities have been net cash provided by operating activities. As of March 31, 2019, we had HK\$129.1 million (US\$16.4 million) in cash and cash equivalents, out of which HK\$51.7 million (US\$6.6 million) was held in U.S. dollars, HK\$77.2 million (US\$9.8 million) was held in Hong Kong dollars, and the rest was held in other currencies. Our cash and cash equivalents primarily consist of cash on hand and general bank balances excluding segregated clients' bank account balances, which are unrestricted for withdrawal or use.

We believe that our current cash and cash equivalents, proceeds from this offering, and our anticipated cash flows from operations will be sufficient to meet our anticipated working capital requirements, capital expenditures, and debt repayment obligations for at least the next 12 months. After this offering, we may decide to enhance our liquidity position or increase our cash reserve for future operations and investments through additional financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increasing fixed obligations and could result in operating covenants that would restrict our operations.

***Regulatory Capital Requirements***

Subject to certain exemptions specified under the Securities and Futures (Financial Resources) Rules of Hong Kong, or the HK Financial Resources Rules, two of our Hong Kong subsidiaries, AMTD Global Markets Limited and Asia Alternative Asset Partners Limited, are securities dealers registered with the HKSFC and thus are required to maintain minimum paid-up share capital in accordance with the HK Financial Resources Rules. The following table sets forth a summary of the key requirements on minimum paid-up share capital under the HK Financial Resources Rules that are applicable to AMTD Global Markets Limited and Asia Alternative Asset Partners Limited.

	<b>Regulated Activities</b>	<b>Minimum Amount of Paid-up Share</b>
AMTD Global Markets Limited	A company licensed for Type 1, Type 2, Type 4, Type 6, and Type 9 regulated activities	HK\$10,000,000
Asia Alternative Asset Partners Limited	A company licensed for Type 1, Type 4, and Type 9 regulated activities	HK\$10,000,000

In addition, the HK Financial Resources Rules also require a licensed company to maintain minimum liquid capital. The minimum liquid capital requirements under the HK Financial Resources Rules that are applicable to AMTD Global Markets Limited and Asia Alternative Asset Partners Limited are the higher of the amount of (i) and (ii) below:

- (i) the amount of:

	<b>Regulated Activities</b>	<b>Minimum Amount of Liquid Capital</b>
AMTD Global Markets Limited	A company licensed for Type 1, Type 2, Type 4, Type 6, and Type 9 regulated activities	HK\$3,000,000
Asia Alternative Asset Partners Limited	A company licensed for Type 1, Type 4, and Type 9 regulated activities	HK\$3,000,000

- (ii) in the case of a company licensed for any regulated activities other than Type 3 regulated activities, its variable required liquid capital, which means 5% of the aggregate of (a) its adjusted liabilities, (b) the aggregate of the initial margin requirements in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, and (c) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, to the extent that such contracts are not subject to the requirement of payment of initial margin requirements.

Regulatory capital requirements could restrict AMTD Global Markets Limited and Asia Alternative Asset Partners Limited from expanding their businesses and declaring dividends if their net capital do not meet regulatory requirements. As of December 31, 2017 and 2018 and March 31, 2019, aggregate excess regulatory liquid capital was HK\$126.2 million, HK\$126.7 million (US\$16.1 million), and HK\$106.0 million (US\$13.5 million) for AMTD Global Markets Limited, and HK\$0.7 million, HK\$0.9 million (US\$0.1 million), and HK\$1.0 million (US\$0.1 million) for Asia Alternative Asset Partners Limited, respectively. As of the date of this prospectus, AMTD Global Markets Limited and Asia Alternative Asset Partners Limited are in compliance with its regulatory capital requirements.

### ***Capital Expenditures***

Our capital expenditures were HK\$0.1 million in 2017, HK\$14 thousand (US\$2 thousand) in 2018, and HK\$14 thousand (US\$2 thousand) for the three months ended March 31, 2019. In these periods, our capital expenditures were primarily used for purchases of office equipment. We will continue to make capital expenditures to meet the expected growth of our business. We intend to fund our future capital expenditures with our existing cash balance and proceeds from this offering.

### **Contractual Obligations**

We did not have any significant capital and other commitments, long-term obligations or guarantees as of March 31, 2019.

### **Off-Balance Sheet Commitments and Arrangements**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, except for the warrant we issued to Value Partners in March 2019, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. For further details on the warrant, see "Capitalization." Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity, or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging, or product development services with us.

### **Significant Accounting Policies**

We prepare our financial statements in accordance with IFRS issued by the IASB, which requires us to make judgments, estimates, and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience, and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of significant accounting policies, judgments, and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus. When reviewing our financial statements, you should consider (i) our selection of significant accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

### ***Fair Value Measurement***

We measure our debt and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants act in their best economic interest.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs, and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2—based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3—based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### *Investments and Other Financial Assets*

#### *Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue Recognition" below.

Our business model for managing financial assets refers to how we manage our financial assets in order to generate cash flows. Our business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Subsequent Measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes equity investments that we had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as revenue in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to us, and the amount of the dividend can be measured reliably.

*Impairment of Financial Assets*

We recognize an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General Approach*

Expected credit losses are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit losses). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit loss).

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

We consider a financial asset in default when contractual payments are 60-120 days past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of expected credit losses except for trade receivables and contract assets, which apply the simplified approach as detailed below.

- Stage 1—Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month expected credit losses.
- Stage 2—Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime expected credit losses.
- Stage 3—Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime expected credit losses.

*Simplified Approach*

For accounts receivable that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating expected credit losses. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime expected credit losses at each reporting date. We have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component, we choose as our accounting policy to adopt the simplified approach in calculating expected credit losses with policies as described above.

***Revenue Recognition****Revenue from Contracts with Customers*

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The primary components of revenue are investment banking fee and income and asset management fee.

*(i) Investment banking fee and income*

Investment banking service income is composed of underwriting commission, brokerage fee and financial advisory fee. Underwriting commission earned from underwriting equity and debt securities is recognized at the point in time when our performance under the terms of a contractual arrangement is completed, which is typically at the closing of a transaction if there is no uncertainty or contingency related to the amount to be paid. The normal credit term is 60 to 120 days upon the completion of performance.

Brokerage fee earned from sales of equity and debt securities from underwriting is recognized at the point in time when the associated service is fulfilled, generally on the trade execution date.

Financial advisory fee is recognized as advice is provided to the customer, based on the estimated progress of work and when revenue is not probable of a significant reversal. The majority of the contracts have a duration of 60 to 120 days.



*(ii) Asset management fee*

Asset management fee primarily includes fees associated with asset management, performance-based incentive fee, brokerage and handling fee. Substantially all of the management fee and the performance-based incentive fee are subject to variable consideration based on the underlying AUM of a customer's account. Management fee is recognized when services are performed and the fee becomes known. Performance-based incentive fee is recognized when the performance target is met and the revenue is not probable of a significant reversal. For the years ended December 31, 2017 and 2018, no revenue was related to such variable consideration and recognized from performance obligations satisfied in previous periods.

Brokerage and handling fees are recognized at the point in time when the associated service is fulfilled, generally on the trade execution date.

*Revenue from Other Sources*

Net fair value changes on financial assets at fair value through profit or loss and those held for trading, including realized gains or losses which are recognized on the transaction dates when the relevant debt and equity securities are disposed and unrealized fair value changes which are recognized in the period in which they arise.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which we had received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before we transfer goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when we perform under the contract.

Since 2018, for certain customers of our asset management service, we require upfront payment of management fee and recorded such upfront fee as contract liabilities in other payables and accruals. Upfront fee is recognized as revenue based on the time elapsed for the service period. Asset management contracts normally cover periods of one to three years.

***Related Parties***

A party is considered to be related to us if:

- (i) the party is a person or a close member of that person's family and that person
  - (a) has control or joint control over us;
  - (b) has significant influence over us; or

- (c) is a member of our key management personnel or of our parent; or
- (ii) the party is an entity where any of the following conditions applies:
  - (a) we and the entity are members of a same group;
  - (b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary, or fellow subsidiary of the other entity);
  - (c) we and the entity are joint ventures of the same third party;
  - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (e) the entity is a post-employment benefit plan for the benefit of either our employees or employees of an entity related to us, and the sponsoring employers of the post-employment benefit plan;
  - (f) the entity is controlled or jointly controlled by a person identified in (i);
  - (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (h) the entity, or any member of a group of which it is a part, provides key management personnel services to us or to our parent.

### **Internal Control Over Financial Reporting**

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control. Our management has not completed an assessment of the effectiveness of our internal control and procedures over financial reporting and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In the course of auditing our consolidated financial statements as of January 1, 2017 and December 31, 2017 and 2018 and for each of the two years in the period ended December 31, 2018, we and our independent registered public accounting firm identified three material weaknesses in our internal control over financial reporting as of December 31, 2018. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified relate to (i) the lack of sufficient competent financial reporting and accounting personnel with appropriate understanding of IFRS and SEC rules and regulations to address complex technical accounting issues and SEC reporting requirements, (ii) insufficient dedicated resources and experienced personnel involved in designing and reviewing internal control over financial reporting, and (iii) failure to establish effective process over the

identification, evaluation, and disclosure of related parted parties and related party transactions. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal control over financial reporting. We and they are required to do so only after we become a public company. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

To remediate our identified material weaknesses subsequent to December 31, 2018, we plan to adopt measures to improve our internal control over financial reporting, including, among others: (i) forming our financial reporting and accounting team with personnel who have appropriate knowledge and experience of SEC reporting requirements, (ii) establishing an internal audit department with sufficient resources and experienced personnel to design, review and monitor internal control over financial reporting, (iii) upgrading our financial system to enhance its effectiveness and enhance control of financial reporting, (iv) organizing regular training for our accounting staff, especially training related to complex accounting standards and updates on IFRS and SEC reporting requirements, (v) enhancing documentation procedures to be followed by the accounting personnel, and (vi) adding resources to establish effective oversight and implement reporting requirements for related parties and related party transactions to ensure related accounting treatment and disclosure are accurate, complete and in compliance with IFRS.

However, we cannot assure you that all these measures will be sufficient to remediate our material weakness in time, or at all. See “Risk Factors—Risks Relating to Our Business and Industry – We have identified three material weaknesses in our internal control over financial reporting as of December 31, 2018, and if we fail to implement and maintain an effective system of internal control to remediate our material weaknesses over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations, or prevent fraud.”

As a company with less than US\$1.07 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company’s internal control over financial reporting.

### **Holding Company Structure**

AMTD International Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our Hong Kong subsidiaries. As a result, our ability to pay dividends depends upon dividends paid by our Hong Kong subsidiaries. If our existing Hong Kong subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

**Inflation**

To date, inflation in Hong Kong has not materially affected our results of operations. According to the Census and Statistics Department of Hong Kong, the year-over-year percent changes in the consumer price index for December 2017 and 2018 were increases of 1.7% and 2.5%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if Hong Kong experiences higher rates of inflation in the future.

**Quantitative and Qualitative Disclosures about Market Risk***Price risk*

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual securities.

We are exposed to equity securities price risk because certain investments held by us are classified in the consolidated statements of financial position as financial assets at fair value through profit or loss. Results for the year would increase or decrease as a result of gains or losses on equity securities classified as financial assets at fair value through profit or loss.

We have not entered into derivatives to manage such exposure.

As of March 31, 2019, our strategic investment portfolio reached an aggregate fair value of HK\$3.6 billion (US\$0.5 billion), of which our investment in Bank of Qingdao accounted for 89.9%. Given our significant stake in, and affiliation with, Bank of Qingdao, our investment in Bank of Qingdao is subject to liquidity and concentration risk.

*Foreign exchange risk*

Most of our revenues and expenses are denominated in Hong Kong dollar or U.S. dollar. Certain of our transactions are denominated in foreign currencies and therefore we are exposed to foreign currency risk. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Hong Kong dollar because the value of our business is mainly denominated in Hong Kong dollar, while our ADSs will be traded in U.S. dollars.

In addition, foreign exchange risk also arises from the possibility that fluctuations in foreign exchange rates can impact the value of financial instruments. We are exposed to minimal foreign exchange risk since Hong Kong dollars are pegged against U.S. dollars. The impact of foreign exchange fluctuations in our earnings is included in foreign exchange differences, net in the consolidated statements of cash flows.

To the extent we need to convert U.S. dollars into Hong Kong dollars for our operations, appreciation of Hong Kong dollar against the U.S. dollar would reduce the amount in Hong Kong dollars we receive from the conversion. Conversely, if we decide to convert Hong Kong dollars into U.S. dollars for the purpose of making payments for dividends on our Class A ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the Hong Kong dollar would reduce the U.S. dollar amounts available to us.

***Interest rate risk***

Our exposure to interest rate risk primarily relates to the bank balances and loans receivable. We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, our future interest income may fall short of expectations due to changes in market interest rates.

***Credit risk***

We have adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Our exposure to our counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Our credit exposure is controlled by counterparty limits that are reviewed and approved by our senior management periodically.

We do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are mainly banks with sound credit. The credit risk on our debt instruments is not significant.

**Recently Issued Accounting Pronouncements**

A list of recently issued accounting pronouncements that are relevant to us is included in note 2.2 to our consolidated financial statements included elsewhere in this prospectus.

2. The following is an extract of the management discussion and analysis of the results of AMTD for the nine ended 30 September 2018 and 2019 from the interim financial results of AMTD for the nine months ended 30 September 2019 dated 31 December 2019.

**Financial Results for the Nine Months Ended September 30, 2019*****Revenue***

Total revenue for the nine months ended September 30, 2019 was HK\$1.0 billion (US\$132.9 million), compared to a negative amount of HK\$143.0 million (US\$18.2 million) for the nine months ended September 30, 2018. This is primarily due to a significant increase in our fee and commission income under our investment banking and asset management businesses and a shift in our net fair value change on financial assets at fair value through profit or loss under our strategic investment business from a negative position to a positive position.

- ***Fee and commission income***

for the nine months ended September 30, 2019 increased by 71.1% as compared to the same period in prior year to HK\$422.1 million (US\$53.8 million), primarily due to an increase in core revenues from the investment banking segment. Fee and commission income from the investment banking segment increased by 81.3% as compared to the same period in prior year to HK\$330.6 million (US\$42.2 million), primarily due to a significant increase in our fees and commissions for (i) equity offerings and financial advisory services from HK\$161.6 million (US\$20.6 million) to HK\$276.0 million (US\$35.2 million) for the respective periods, and (ii) debt capital market deals from HK\$20.8 million (US\$2.6 million) to HK\$54.6 million (US\$7.0 million) for the respective periods. Fee and commission income from the asset management segment increased by 42.2% as compared to the same period in prior year to HK\$91.4 million (US\$11.7 million), primarily due to an increase in fee income attributable to new clients.

- ***Dividend and gain related to disposed investment***

for the nine months ended September 30, 2019 were HK\$100.6 million (US\$12.8 million), which remained an important contributor to revenue compared to the prior year period.

- ***Net fair value change on financial assets at fair value through profit or loss***

for the nine months ended September 30, 2019 was HK\$519.4 million (US\$66.2 million), compared to a negative amount of HK\$488.9 million (US\$62.4 million) for the prior year period, primarily due to the positive fair values change in the underlying listed securities of the Company's portfolio during the respective periods.

***Operating Expenses***

Operating expenses for the nine months ended September 30, 2019 increased by 57.6% as compared to the same period in prior year to HK\$74.1 million (US\$9.5 million), primarily due to (i) an increase in annual audit and regular professional fees from HK\$1.6 million (US\$206 thousand) to HK\$13.1 million (US\$1.7 million) for the respective periods attributable to the Company's initial public offering, (ii) an increase in an administrative support service fee of HK\$6.0 million (US\$765 thousand) charged by the Company's immediate holding company in accordance with the transitional services agreement entered duly between the two parties as previously disclosed publicly, and (iii) an increase in stamp duty from nil to HK\$2.1 million (US\$270 thousand) for the respective periods, which in turn was primarily attributable to stamp duty paid in connection with the Company's restructuring prior to the initial public offering.

***Staff Costs***

Staff costs for the nine months ended September 30, 2019 increased by 28.1% as compared to the same period in prior year to HK\$78.1 million (US\$10.0 million), primarily due to an increase in staff bonuses including a special bonus for the successful NYSE listing of the Company and new talents recruitment and related costs.

***Finance Costs***

Finance costs for the nine months ended September 30, 2019 increased by 146.9% as compared to the same period in prior year to HK\$16.2 million (US\$2.1 million), primarily due to an increase in average loan balance along the period to support and fuel the ongoing developments and accelerated international expansion of the Company.

***Profit and Total Comprehensive Income***

Profit and total comprehensive income for nine months ended September 30, 2019 was HK\$741.3 million (US\$94.6 million), compared to a negative amount of HK\$190.6 million (US\$24.3 million) in the prior year period.

***Profit and Total Comprehensive Income Per Share Attributable to Ordinary Shareholders***

Basic and diluted profit and total comprehensive income per share attributable to ordinary shareholders for the nine months ended September 30, 2019 was HK\$4.04 (US\$0.52).

**Exchange Rate**

The Company's business is mainly conducted in Hong Kong and most of its revenues generated are denominated in Hong Kong dollars. This announcement contains translations of Hong Kong dollars into U.S. dollars solely for the convenience of the reader. Unless otherwise noted, all translations from Hong Kong dollars to U.S. dollars are made at a rate of HK\$7.8401 to US\$1.00, the exchange rate in effect as of September 30, 2019 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. No representation is made that the Hong Kong dollar amounts could have been, or could be, converted, realized, or settled into U.S. dollars at that rate on September 30, 2019, or at any other rate.



The financial information of Cosmopolitan for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 was disclosed in the annual reports of Cosmopolitan for the two years ended 31 December 2017 and 31 December 2018 and the final results announcement of Cosmopolitan for the year ended 31 December 2019, respectively. The aforementioned financial information of Cosmopolitan has been published on both the website of the Stock Exchange (<http://www.hkex.com.hk/>) and the website of Cosmopolitan (<http://www.cosmoholdings.com/>). Please refer to the hyperlinks as stated below:

- (i) Annual report of Cosmopolitan for the year ended 31 December 2017 (pages 37 to 124):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271911.pdf>
- (ii) Annual report of Cosmopolitan for the year ended 31 December 2018 (pages 37 to 132):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291973.pdf>
- (iii) Final results announcement of Cosmopolitan for the year ended 31 December 2019 (pages 15 to 35):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0326/2020032601785.pdf>

Cosmopolitan’s auditor, Ernst & Young, has reviewed the consolidated financial information of Cosmopolitan for the year ended 31 December 2019 as set out on pages 15 to 35 in the final results announcement of Cosmopolitan in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants.

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

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**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE CENTURY CITY GROUP**

**BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The accompanying unaudited pro forma financial information of the Century City Group has been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the completion of the Transactions on the financial information of the Century City Group.

The unaudited pro forma consolidated statement of the financial position of the Century City Group which is prepared based on the consolidated statement of financial position of the Century City Group as at 31 December 2019, after giving the effect to the pro forma adjustments as explained in the notes set out below, that are directly attributable to the Transactions, for the purpose of illustrating the effect of the Transactions on the financial position of the Century City Group as if the Transactions had taken place on 31 December 2019.

The unaudited pro forma consolidated statement of profit or loss of the Century City Group is prepared based on the consolidated statement of profit or loss for the year ended 31 December 2019 after giving the effect to the pro forma adjustments as explained in the notes set out below for the purpose of illustrating the effect of the Transactions on the results of the Group as if the Transactions had taken place on 1 January 2019. The unaudited pro forma consolidated statement of cash flows of the Century City Group is prepared based on the consolidated statement of cash flows for the year ended 31 December 2018 after giving the effect to the pro forma adjustments as explained in the notes set out below for the purpose of illustrating the effect of the Transactions on the cash flows of the Group as if the Transactions had taken place on 1 January 2018. These adjustments are 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 and decisions and are factually supportable.

The unaudited pro forma financial information has been compiled by the Directors for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Century City Group had the Transactions been completed as of 31 December 2019 or of the financial results of the Century City Group had the Transactions been completed as of 1 January 2019 or of the cash flows of the Century City Group had the Transactions been completed as of 1 January 2018 or any future date.

The unaudited pro forma financial information should be read in conjunction with the financial information of the Century City Group as set out in its published final results announcement for the year ended 31 December 2019, annual report for the year ended 31 December 2018 and other financial information included elsewhere in this Circular.

**APPENDIX VI      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
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**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF  
THE CENTURY CITY GROUP AS AT 31 DECEMBER 2019**

	The Century City Group as at 31 December 2019 (Note 1) <i>HK\$'million</i>	First Cosmo Shares Transfer and AMTD I Acquisition (Note 3) <i>HK\$'million</i>	CIDL Disposal and AMTD II Acquisition (Note 4) <i>HK\$'million</i>	Second Cosmo Shares Transfer and AMTD III Acquisition (Note 5) <i>HK\$'million</i>	Unaudited Pro forma Consolidated Statement of Financial Position of the Century City Group <i>HK\$'million</i>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8,683.2	–	–	–	8,683.2
Investment properties	3,577.6	–	–	–	3,577.6
Right-of-use assets	14,391.2	–	–	–	14,391.2
Properties under development	1,772.1	–	–	–	1,772.1
Investments in associates	583.1	–	–	–	583.1
Financial assets designated at fair value through other comprehensive income	–	374.0 (a)	400.0 (d)	626.1 (a)	1,400.1
Financial assets at fair value through profit or loss	901.3	–	–	–	901.3
Loans receivable	228.6	–	–	–	228.6
Finance lease receivables	8.2	–	–	–	8.2
Debtors, deposits and prepayments	323.1	–	–	–	323.1
Deferred tax assets	47.5	–	–	–	47.5
Other assets	0.2	–	–	–	0.2
Goodwill	261.0	–	–	–	261.0
Trademark	610.2	–	–	–	610.2
Other intangible asset	2.0	–	–	–	2.0
<b>Total non-current assets</b>	<b>31,389.3</b>	<b>374.0</b>	<b>400.0</b>	<b>626.1</b>	<b>32,789.4</b>
<b>CURRENT ASSETS</b>					
Properties under development	3,682.4	–	–	–	3,682.4
Properties held for sale	5,904.4	–	–	–	5,904.4
Inventories	74.2	–	–	–	74.2
Loans receivable	477.7	–	(167.3) (b)	–	310.4
Finance lease receivables	13.0	–	–	–	13.0
Debtors, deposits and prepayments	706.2	–	(267.2) (b) 14.6 (a)	–	453.6
Financial assets at fair value through profit or loss	1,657.3	–	–	–	1,657.3

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

	The Century City Group as at 31 December 2019 (Note 1) <i>HK\$'million</i>	First Cosmo Shares Transfer and AMTD I Acquisition (Note 3) <i>HK\$'million</i>	CIDL Disposal and AMTD II Acquisition (Note 4) <i>HK\$'million</i>	Second Cosmo Shares Transfer and AMTD III Acquisition (Note 5) <i>HK\$'million</i>	Unaudited Pro forma Consolidated Statement of Financial Position of the Century City Group  <i>HK\$'million</i>
Derivative financial instruments	3.1	–	–	–	3.1
Tax recoverable	9.5	–	–	–	9.5
Restricted cash	439.2	–	–	–	439.2
Pledged time deposits and bank balances	357.5	–	–	–	357.5
Time deposits	876.5	–	–	–	876.5
Cash and bank balances	1,313.3	–	(0.4) <i>(b)</i>	–	1,302.9
			(10.0) <i>(c)</i>		
<b>Total current assets</b>	<u>15,514.3</u>	<u>–</u>	<u>(430.3)</u>	<u>–</u>	<u>15,084.0</u>
<b>CURRENT LIABILITIES</b>					
Creditors and accruals	(912.5)	–	0.5 <i>(b)</i>	–	(912.0)
Contract liabilities	(1,252.7)	–	–	–	(1,252.7)
Lease liabilities	(31.4)	–	–	–	(31.4)
Deposits received	(83.6)	–	10.0 <i>(c)</i>	–	(73.6)
Interest bearing bank borrowings	(2,482.5)	–	–	–	(2,482.5)
Tax payable	(190.5)	–	19.2 <i>(b)</i>	–	(171.3)
<b>Total current liabilities</b>	<u>(4,953.2)</u>	<u>–</u>	<u>29.7</u>	<u>–</u>	<u>(4,923.5)</u>
<b>NET CURRENT ASSETS</b>	10,561.1	–	(400.6)	–	10,160.5
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	41,950.4	374.0	(0.6)	626.1	42,949.9
<b>NON-CURRENT LIABILITIES</b>					
Creditors and deposits received	(87.8)	–	–	–	(87.8)
Lease liabilities	(37.9)	–	–	–	(37.9)
Interest bearing bank borrowings	(15,365.2)	–	–	–	(15,365.2)
Other borrowings	(2,716.7)	–	–	–	(2,716.7)
Deferred tax liabilities	(1,913.1)	–	–	–	(1,913.1)
<b>Total non-current liabilities</b>	<u>(20,120.7)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(20,120.7)</u>
<b>Net assets</b>	<u>21,829.7</u>	<u>374.0</u>	<u>(0.6)</u>	<u>626.1</u>	<u>22,829.2</u>

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

	<b>The Century City Group as at 31 December 2019 (Note 1) <i>HK\$'million</i></b>	<b>First Cosmo Shares Transfer and AMTD I Acquisition (Note 3) <i>HK\$'million</i></b>	<b>CIDL Disposal and AMTD II Acquisition (Note 4) <i>HK\$'million</i></b>	<b>Second Cosmo Shares Transfer and AMTD III Acquisition (Note 5) <i>HK\$'million</i></b>	<b>Unaudited Pro forma Consolidated Statement of Financial Position of the Century City Group  <i>HK\$'million</i></b>
<b>EQUITY</b>					
<b>Equity attributable to equity holders of the parent</b>					
Issued capital	320.4	–	–	–	320.4
Reserves	8,685.5	174.4 (c)	56.7 (b) (71.9) (b) 14.6 (a) 0.3 (e)	291.6 (c)	9,151.2
	<u>9,005.9</u>	<u>174.4</u>	<u>(0.3)</u>	<u>291.6</u>	<u>9,471.6</u>
Perpetual securities	1,732.9	–	–	–	1,732.9
Non-controlling interests	<u>11,090.9</u>	<u>199.6 (b)</u>	<u>(0.3) (e)</u>	<u>334.5 (b)</u>	<u>11,624.7</u>
Total equity	<u><u>21,829.7</u></u>	<u><u>374.0</u></u>	<u><u>(0.6)</u></u>	<u><u>626.1</u></u>	<u><u>22,829.2</u></u>

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

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE  
CENTURY CITY GROUP**

	The Century City Group for the year ended 31 December 2019 (Note 1) <i>HK\$'million</i>	First Cosmo Shares Transfer and AMTD I Acquisition (Note 6) <i>HK\$'million</i>	CIDL Disposal and AMTD II Acquisition (Note 7) <i>HK\$'million</i>	Hotel Interests Disposal (Note 8) <i>HK\$'million</i>	Second Cosmo Shares Transfer and AMID III Acquisition (Note 9) <i>HK\$'million</i>	Unaudited Pro forma Consolidated Statement of Profit or Loss of the Century City Group <i>HK\$'million</i>
<b>REVENUE</b>	2,908.2	–	–	–	–	2,908.2
Cost of sales	(1,605.3)	–	–	–	–	(1,605.3)
Gross profit	1,302.9	–	–	–	–	1,302.9
Other income and gains, net	222.0	–	(64.5)(b)	–	–	157.5
Fair value losses on investment properties, net	(78.8)	–	–	–	–	(78.8)
Fair value gains on financial assets at fair value through profit or loss, net	149.7	–	–	–	–	149.7
Gain/(loss) on disposal of subsidiaries	491.4	–	(21.1)(c)	(491.4)(a) 491.4(b)	–	470.3
Impairment loss on properties held for sale	(13.5)	–	–	–	–	(13.5)
Property selling and marketing expenses	(80.1)	–	–	–	–	(80.1)
Administrative expenses	(421.7)	–	14.6(a)	0.1(a)	–	(407.0)
<b>OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION</b>	1,571.9	–	(71.0)	0.1	–	1,501.0
Depreciation and amortisation	(659.5)	–	–	–	–	(659.5)
<b>OPERATING PROFIT</b>	912.4	–	(71.0)	0.1	–	841.5
Finance costs	(576.2)	–	–	1.5(a)	–	(574.7)
Share of profits and losses of associates	17.2	–	–	–	–	17.2
<b>PROFIT BEFORE TAX</b>	353.4	–	(71.0)	1.6	–	284.0
Income tax	(27.4)	–	16.0(b)	–	–	(11.4)
<b>PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS</b>	326.0	–	(55.0)	1.6	–	272.6
<b>Attributable to:</b>						
Equity holders of the parent	174.9	3.9	(23.6)(d)	0.8(c)	6.6	162.6
Non-controlling interests	151.1	(3.9)	(31.4)(d)	0.8(c)	(6.6)	110.0
	326.0	–	(55.0)	1.6	–	272.6

**APPENDIX VI      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
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**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE  
CENTURY CITY GROUP**

	<b>The Century City Group for the year ended 31 December 2018 (Note 1) <i>HK\$'million</i></b>	<b>CIDL Disposal and AMTD II Acquisition (Note 10) <i>HK\$'million</i></b>	<b>Hotel Interests Disposal (Note 11) <i>HK\$'million</i></b>	<b>Unaudited Pro forma Consolidated Statement of Cash Flows of the Century City Group <i>HK\$'million</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	547.4	(21.1)(b)	491.4(b)	1,017.7
Adjustments for:				
Finance costs	436.0	–	–	436.0
Share of profits and losses of associates	2.3	–	–	2.3
Interest income	(190.5)	–	–	(190.5)
Depreciation and amortisation	594.6	–	–	594.6
Dividend income	(24.9)	–	–	(24.9)
Loss on disposal of items of property, plant and equipment, net	1.2	–	–	1.2
Fair value gains on investment properties, net	(191.7)	–	–	(191.7)
Fair value loss upon reclassification of properties held for sale to investment properties	0.7	–	–	0.7
Write-off of items of property, plant and equipment	1.2	–	–	1.2
Reversal of impairment of loans receivable	(0.1)	–	–	(0.1)
Impairment of trade debtors	2.9	–	–	2.9
Write-back of impairment of trade debtors	(0.2)	–	–	(0.2)
Write-off of loan receivable	0.2	–	–	0.2
Fair value losses on financial assets at fair value through profit or loss, net	242.2	–	–	242.2
Loss/(gain) on disposal of subsidiaries	–	21.1(b)	(491.4)(b)	(470.3)
	1,421.3	–	–	1,421.3
Additions to properties under development	(1,573.0)	–	–	(1,573.0)
Decrease in properties held for sale	2,291.2	–	–	2,291.2
Decrease in aircraft held for sale	70.9	–	–	70.9
Increase in financial assets at fair value through profit or loss	(641.3)	–	–	(641.3)
Increase in derivative financial instruments	(3.0)	–	–	(3.0)
Decrease in inventories	0.9	–	–	0.9

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**APPENDIX VI      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
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	<b>The Century City Group for the year ended 31 December 2018 (Note 1) HK\$'million</b>	<b>CIDL Disposal and AMTD II Acquisition (Note 10) HK\$'million</b>	<b>Hotel Interests Disposal (Note 11) HK\$'million</b>	<b>Unaudited Pro forma Consolidated Statement of Cash Flows of the Century City Group HK\$'million</b>
Decrease in debtors, deposits and prepayments	141.6	–	–	141.6
Receipt from finance leases	45.8	–	–	45.8
Decrease in restricted cash	63.9	–	–	63.9
Increase in creditors and accruals	44.9	–	(32.0)(a)	12.9
Decrease in contract liabilities	(2,363.2)	–	–	(2,363.2)
Decrease in deposits received	(11.0)	–	–	(11.0)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash used in operations	(511.0)	–	(32.0)	(543.0)
Dividends received from listed investments	19.0	–	–	19.0
Interest received	90.6	–	–	90.6
Interest received from finance leases	9.3	–	–	9.3
Hong Kong profits tax paid	(66.0)	–	–	(66.0)
Overseas taxes paid	(6.4)	–	–	(6.4)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net cash flows used in operating activities</b>	<b>(464.5)</b>	<b>–</b>	<b>(32.0)</b>	<b>(496.5)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of subsidiaries that are not a business	(256.2)	–	–	(256.2)
Purchase of financial assets at amortised cost	(1,116.5)	–	–	(1,116.5)
Purchases of financial assets at fair value through profit or loss	(263.0)	–	–	(263.0)
Proceeds from redemption of financial assets at amortised cost	803.2	–	–	803.2
Increase/(decrease) in loans receivable	(193.6)	177.7(a)	–	(15.9)
Additions to investment properties	(64.6)	–	–	(64.6)
Disposal of subsidiaries	–	–	270.4(c)	270.4



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	The Century City Group for the year ended 31 December 2018 (Note 1) <i>HK\$'million</i>	CIDL Disposal and AMTD II Acquisition (Note 10) <i>HK\$'million</i>	Hotel Interests Disposal (Note 11) <i>HK\$'million</i>	Unaudited Pro forma Consolidated Statement of Cash Flows of the Century City Group <i>HK\$'million</i>
Proceeds from disposal of items of property, plant and equipment	6.3	–	–	6.3
Purchases of items of property, plant and equipment	(811.8)	–	131.2(a)	(680.6)
Investment deposits paid	(201.4)	201.4(a)	–	–
Repayment from associates	13.8	–	–	13.8
Repayment from Hotel Holding Group	–	–	112.0(a)	112.0
Interest received	62.4	–	–	62.4
Dividends received from unlisted investments	5.9	–	–	5.9
Increase in restricted cash	(0.8)	–	–	(0.8)
Increase in pledged time deposits and bank balances	526.4	–	–	526.4
Increase in time deposit with an original maturity of more than three months	(10.0)	–	–	(10.0)
<b>Net cash flows used in investing activities</b>	<u>(1,499.9)</u>	<u>379.1</u>	<u>513.6</u>	<u>(607.2)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of new bank loans	6,600.5	–	(211.2)(a)	6,389.3
Repayments of bank loans	(3,125.7)	–	–	(3,125.7)
Decrease in other borrowings	(1,952.3)	–	–	(1,952.3)
Payment of loan and other costs	(74.5)	–	–	(74.5)
Interest paid	(523.3)	–	–	(523.3)
Dividends paid	(76.9)	–	–	(76.9)
Dividends paid to non-controlling interests	(210.6)	–	–	(210.6)
Contribution from non-controlling interests	6.2	–	–	6.2
Distribution to non-controlling interests	(9.8)	–	–	(9.8)
Acquisition of non-controlling interests in listed subsidiaries	(20.3)	–	–	(20.3)
Proceeds from disposal of interests in a subsidiary	2.0	–	–	2.0
Distribution to holders of perpetual securities	(114.8)	–	–	(114.8)
<b>Cash flows from financing activities</b>	<u>500.5</u>	<u>–</u>	<u>(211.2)</u>	<u>289.3</u>

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	<b>The Century City Group for the year ended 31 December 2018 (Note 1) <i>HK\$'million</i></b>	<b>CIDL Disposal and AMTD II Acquisition (Note 10) <i>HK\$'million</i></b>	<b>Hotel Interests Disposal (Note 11) <i>HK\$'million</i></b>	<b>Unaudited Pro forma Consolidated Statement of Cash Flows of the Century City Group <i>HK\$'million</i></b>
<b>Net decrease in cash and cash equivalents</b>	(1,463.9)	379.1	270.4	(814.4)
Cash and cash equivalents at beginning of year	4,343.2	–	–	4,343.2
Effect of foreign exchange rate changes, net	<u>(50.8)</u>	<u>–</u>	<u>–</u>	<u>(50.8)</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>2,828.5</u></u>	<u><u>379.1</u></u>	<u><u>270.4</u></u>	<u><u>3,478.0</u></u>
<b>Analysis of balances of cash and cash equivalents</b>				
Cash and cash equivalents as stated in the consolidated statement of financial position	2,838.5	379.1	270.4	3,488.0
Non-pledged time deposit with an original maturity of more than three months when required	<u>(10.0)</u>	<u>–</u>	<u>–</u>	<u>(10.0)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u><u>2,828.5</u></u>	<u><u>379.1</u></u>	<u><u>270.4</u></u>	<u><u>3,478.0</u></u>

*Notes:*

- (1) The consolidated statement of financial position of the Century City Group as at 31 December 2019 and the consolidated statement of profit or loss of the Century City Group for the year ended 31 December 2019 are extracted from the final results announcement of Century City dated 26 March 2020. The consolidated statement of cash flows of the Century City Group for the year ended 31 December 2018 are extracted from the annual report of Century City dated 26 March 2019.
- (2) There is no pro forma impact to the unaudited pro forma consolidated statement of financial position of the Hotel Interests Disposal as at 31 December 2019 as it was completed on 31 December 2019.
- (3) For the purpose of the unaudited pro forma consolidated statement of financial position, the fair value of the First Cosmo Shares is assumed to be HK\$374.0 million, which approximated to the fair value of AMTD I Shares on 31 December 2019. The following represent the adjustments relating to the First Cosmo Shares Transfer and AMTD I Acquisition as at 31 December 2019:
  - (a) recognition of AMTD I Shares as financial assets at fair value through other comprehensive income acquired with proceeds from the sale of the First Cosmo Shares;

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- (b) the increase in carrying value of the non-controlling interests upon completion of the First Cosmo Share Transfer on 31 December 2019;
- (c) the excess of the fair value of AMTD I Shares recognised in capital reserve over the increase in carrying value of the non-controlling interests upon completion on 31 December 2019.

In the opinion of the Directors, since the AMTD I Acquisition and First Cosmo Shares Transfer were part of the Shares Related Transactions, it is appropriate to account for the AMTD I Acquisition and the First Cosmo Shares Transfer as if they were one single transaction.

- (4) For the purpose of this unaudited pro forma consolidated statement of financial position, the fair value of AMTD II Shares as at 31 December 2019 is assumed to be HK\$400.0 million on 31 December 2019. The following represent the adjustments relating to the CIDL Disposal (assuming Beijing Fuli to be included in the CIDL Group) and AMTD II Acquisition, as at 31 December 2019:

- (a) the reversal of provision for impairment made during the year ended 31 December 2019 in respect of other receivable from Yuanchang Logistics.
- (b) the derecognition of assets and liabilities of CIDL Group upon completion of CIDL Disposal and the recognition of loss on disposal on CIDL Group, which was calculated as follows:

	<b>HK\$'m</b>	<b>HK\$'m</b>
CIDL Consideration		400.0
Net assets disposed of:		
Loans receivable	(167.3)	
Debtors, deposits and prepayments	(267.2)	
Cash and bank balances	(0.4)	
Creditors and accruals	0.5	
Tax payable	19.2	
		(415.2)
Exchange equalisation reserve released		(56.7)
Pro forma loss on CIDL Disposal		(71.9)

This pro forma adjustment will not have any continuing effect on the consolidated statement of profit or loss of the Century City Group. The actual gain/loss on the CIDL Disposal may be different from the amount described above and would be subject to the carrying amount of the assets and liabilities of CIDL Group and fair value of AMTD II Shares on the completion date of CIDL Disposal.

- (c) the derecognition of deposit received from CIDL Purchaser under the CIDL Disposal Agreement as at 31 December 2019 and used as settlement of partial consideration for the acquisition of AMTD II Shares;
- (d) the recognition of the AMTD II Shares as financial assets at fair value through other comprehensive income acquired with CIDL Consideration; and

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- (e) the impact of the share of profit or loss and other comprehensive income attributable to non-controlling interests.

In the opinion of the Directors, since the AMTD II Acquisition and CIDL Disposal are part of the CIDL Related Transactions, it is appropriate to account for the AMTD II Acquisition and CIDL Disposal as if they were one single transaction.

- (5) For the purpose of this unaudited pro forma consolidated statement of financial position, the fair value of AMTD III Shares is assumed to be HK\$626.1 million, which approximated to the fair value of Second Cosmo Shares on 31 December 2019. The following represent the adjustments to the Second Cosmo Shares Transfer and AMTD III Acquisition as at 31 December 2019:

- (a) recognition of AMTD III Shares as financial assets at fair value through other comprehensive income acquired with Second Cosmo Shares Transfer;
- (b) the increase in the carrying value of the non-controlling interests upon completion of the Second Cosmo Shares Transfer;
- (c) the excess of the fair value of AMTD III Shares recognised in capital reserve over the increase in value of the non-controlling interests upon completion on 31 December 2019.

- (6) The adjustment represents the share of profit or loss for the year attributable to non-controlling interests assuming the First Cosmo Shares Transfer and AMTD I Acquisition were completed as of 1 January 2019.

- (7) For the purpose of this unaudited pro forma financial information, the fair value of AMTD II Shares as at 1 January 2019 is assumed to be HK\$400.0 million. The following represent the adjustments relating to the CIDL Disposal (assuming Beijing Fuli to be included in the CIDL Group) and AMTD II Acquisition, which is assumed to be completed as of 1 January 2019:

- (a) the reversal of provision for impairment made during the year ended 31 December 2019 in respect of other receivable from Yuanchang Logistics;
- (b) the exclusion of the results of CIDL Group for the year ended 31 December 2019;
- (c) the recognition of pro forma loss on disposal of CIDL Group, which is calculated as follows:

	<i>HK\$'million</i>
CIDL Consideration	400.0
Net assets of CIDL as of 1 January 2019	(377.9)
Exchange equalisation reserve released	(43.2)
Pro forma loss on disposal of CIDL Group	(21.1)

This pro forma adjustment will not have any continuing effect on the consolidated statement of profit or loss of the Century City Group. The actual gain/loss on the disposal of CIDL may be different from the amount described above and would be subject to the carrying amount of the assets and liabilities of CIDL Group and fair value of AMTD II Shares on the completion date of CIDL Disposal.

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- (d) the impact of the share of profit or loss attributable to non-controlling interests and equity holders of the parent.
- (8) The following represents the adjustments relating to Hotel Interests Disposal, which is assumed to be completed as of 1 January 2019:
- (a) the exclusion of the results of Hotel Holding Group and gain on disposal of Hotel Holding Group recognised for the year ended 31 December 2019;
  - (b) the recognition of gain on disposal of Hotel Holding Group as if the Hotel Interests Disposal is completed as of 1 January 2019. The Directors assume the construction of the Hotel within the Hotel Holding Group is completed as of 1 January 2019 and the carrying amount of the net assets of Hotel Holding Group as of 1 January 2019 is approximated to the carrying amount of the net assets of Hotel Holding Group as of 31 December 2019. As a result, there is no change in the gain on disposal of Hotel Holding Group as if completion on 1 January 2019.
  - (c) the impact of the share of profit or loss attributable to non-controlling interests.
- (9) The adjustment represents the share of profit or loss for the year attributable to non-controlling interests assuming the Second Cosmo Shares Transfer and AMTD III Acquisition were completed as of 1 January 2019.
- (10) The following represents the adjustments relating to the CIDL Disposal (assuming Beijing Fuli to be included in the CIDL Group), which is assumed to be completed as of 1 January 2018:
- (a) the exclusion of cash flows of CIDL Group for the year ended 31 December 2018;
  - (b) the pro forma loss on disposal of CIDL Group is HK\$21.1 million, which is same as note 7 above.
- (11) The following represent the adjustments relating to Hotel Interests Disposal, which is assumed to be completed as of 1 January 2018:
- (a) the exclusion of cash flows of Hotel Holding Group for the year ended 31 December 2018;
  - (b) the recognition of gain on disposal of Hotel Holding Group as if the Hotel Holding Disposal were completed as of 1 January 2018. The Directors assume the construction of the Hotel within the Hotel Holding Group were completed as of 1 January 2018 and the carrying amount of the net assets of Hotel Holding Group as of 1 January 2018 is approximated to the carrying amount of the net assets of Hotel Holding Group as of 31 December 2019. As a result, there is no change in the gain on disposal of Hotel Holding Group as if completion were on 1 January 2018.
  - (c) Hotel Interests Disposal Consideration is assumed to be received in full.

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*The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of Century City Group's pro forma financial information for the purpose in this circular.*

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



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

To the Directors of Century City International Holdings Limited

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 (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2019, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2019, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018 and related notes as set out on pages VI-1 to VI-12 of the circular dated 31 March 2020 (the “Circular”) issued by the Company (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages VI-1 to VI-12 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of (i) the sale of 220,000,000 existing ordinary shares of Cosmopolitan International Holdings Limited (“Cosmopolitan”); (ii) the acquisition of 5,674,000 Class A ordinary shares of AMTD International Inc. (“AMTD”); (iii) the disposal of entire equity interests in Cosmopolitan International Development Limited; (iv) the acquisition of 6,069,000 Class A ordinary shares of AMTD; (v) disposal of 50% equity interest in Dense Globe Investments Limited; (vi) the sale of 368,320,000 existing ordinary shares of Cosmopolitan; and (vii) the acquisition of 9,500,000 Class A ordinary shares of AMTD (collectively referred to as the “Transactions”) on (i) the Group’s consolidated financial position as at 31 December 2019 as if the Transactions had taken place on 31 December 2019; (ii) the Group’s consolidated financial performance for the year ended 31 December 2019 as if the Transactions had taken place on 1 January 2019; and (iii) the Group’s consolidated cash flows for the year end 31 December 2018 as if the Transactions had taken place on 1 January 2018. As part of this process, information about the Group’s financial position and financial performance has been extracted by the Directors from the Group’s financial statements as set out in the final results announcement dated 26 March 2020. Information about the Group’s cash flows has been extracted by the Directors from the Group’s audited financial statements for the year ended 31 December 2018 as set out in the annual report of the Company dated 26 March 2019.

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

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

**Our independence and quality control**

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

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

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited 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 Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of the Unaudited 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.

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A reasonable assurance engagement to report on whether the Unaudited 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 Unaudited 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 Unaudited 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 Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited 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 Unaudited 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 Unaudited 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

31 March 2020



*The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with their valuation as at 31 December 2019 of the Property.*



Knight Frank Petty Limited  
4th Floor, Shui On Centre  
Nos 6-8 Harbour Road  
Wan Chai, Hong Kong

31 March 2020

The Board of Directors  
Century City International Holdings Limited  
11/F, 68 Yee Wo Street,  
Causeway Bay,  
Hong Kong

Dear Sirs

**Valuation of a hotel development at Nos 5-7 Bonham Strand West and Nos 169-171 Wing Lok Street, Sheung Wan, Hong Kong (the “Property”)**

In accordance with the instructions from Century City International Holdings Limited (hereinafter referred to as the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) to value the Property, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as if completed and ready for hotel operation as at 31 December 2019 (the “**Valuation Date**”) for public disclosure purposes. Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer and is prepared in unbiased and professional manner.

**Basis of Valuation**

In arriving at our opinion of market value, we followed “The HKIS Valuation Standards 2017” issued by The Hong Kong Institute of Surveyors (“**HKIS**”) and “The RICS Valuation — Global Standards 2017” issued by The Royal Institution of Chartered Surveyors (“**RICS**”). Under the said standards, market value is defined as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Market value is also the best price reasonably obtainable in the market on the Valuation Date by the seller and the most advantageous price reasonably obtainable in the market on the Valuation Date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2017” issued by HKIS, “The RICS Valuation — Global Standards 2017” issued by RICS and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our valuation is based on 100% of the leasehold interest of the Property.

### **Valuation Methodology**

In our valuation, we have valued the Property by Market Approach with reference to comparable market transactions. We have also cross-checked the valuation by capitalisation of estimated net operating profits. Portions of our valuation of the Property are attributable to transferrable goodwill, fixtures, fittings, furniture, furnishings and equipment. In considering the valuation of the Property, we have taken into account the estimated room sales, food and beverage revenues, other revenues, outgoings, operating costs, gross operating profits, rents, rates, insurance and other relevant information. Allowances have been made for the periodical replacement and renovation of the hotel furnishings, fixtures and fittings.

### **Valuation Assumptions and Conditions**

Our valuation is subject to the following assumptions and conditions:-

#### Title Documents and Encumbrances

We have taken reasonable care to investigate the title of the Property by obtaining land search records from the Land Registry, if not available, with reference to the title documents or other documents of title as provided. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

#### Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

### Source of Information

We have relied to a very considerable extent on information given by the Group. We have accepted advice given to us on such matters as planning approval, statutory notice, easement, tenure, approved building plans, floor areas, number of rooms and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct.

### Inspection

We have inspected the exterior and, where possible, the accessible interior of the Property. The inspection of the Property was undertaken on 20 February 2020 by a qualified valuer, Ms Natalie Wong MRICS MHKIS RICS Registered Valuer.

### Identity of the Property to be valued

We have exercised reasonable care and skill to ensure that the Property is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

### Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

### Site Boundary

We were not able to delineate the exact boundary of the Property nor were we able to carry out detailed site measurements to verify the correctness of the site area of the Property. Nevertheless, we have based on the site area of the Property as obtained from the Government records in preparing our valuation.

### Areas and Age

In our valuations, we have relied upon areas provided to us. Otherwise, dimensions and areas would be measured from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

### Structural and Services Condition

We have not undertaken any structural surveys, tested the services or arranged for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the basis that the services, including but not limited to the drain, waterway or watercourse, water main, sewer, cable, wire and pipe and other utility services, etc to the Property was approved and connected and the services functioned satisfactorily.

### Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

### Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

### Compliance with Relevant Ordinances and Regulations

The Occupation Permit of the Property has been obtained and the hotel licence for the Property is currently under application as advised by the Group. In our valuation, we assumed that the hotel licence can be obtained and the Property can be properly operated as a hotel on on-going business basis.

We have assumed that the Property was constructed, occupied and used in full compliance with, and without contravention of any ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

**Remarks**

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. While the current market is influenced by various policies and regulations, increasing complexity in social movements and international trade tensions, the recent regional health issue of outbreak of Novel Coronavirus is expected to bring additional fluctuations to the real estate market. It must be recognised that the regional health problem, changes in policy direction, mortgage requirements, social and international tensions could have immediate and sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected circumstances after the Valuation Date may affect the value of the Property.

**Currency**

Unless otherwise stated, all monetary figures in this valuation report will be in Hong Kong Dollars (HK\$).

**Area Conversion**

The area conversion factors in this report are taken as follows:

1 sq m = 10.764 sq ft

We enclose herewith our valuation report.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

**Natalie Wong**

MRICS MHKIS RICS Registered Valuer  
Director, Valuation & Advisory

**Thomas Lam**

FRICS FHKIS RPS(GP) RICS Registered Valuer  
Executive Director, Head of Valuation & Advisory

*Notes:* Thomas Lam is a qualified valuer who has about 20 years of extensive experience in market research, valuation and consultancy in the People's Republic of China, Hong Kong, Macao and Asia Pacific region.

Natalie Wong is a qualified valuer who has about 14 years of experience in valuation of properties in Hong Kong.

## VALUATION

## Property held for hotel operation

Property	Description and tenure	Particulars of occupancy	Market value as at 31 December 2019
A hotel development at Nos 5-7 Bonham Strand West and Nos 169-171 Wing Lok Street, Sheung Wan, Hong Kong	The Property is a hotel development completed in November 2019 located within a 10-minute walk from Hong Kong Macau Ferry Terminal in Sheung Wan, Hong Kong Island.	The occupation permit of the hotel development has been granted on 19 November 2019. The Property is completed and is currently vacant. As advised by the Group, the application of the hotel licence is in progress and the hotel licence is expected to be obtained before 30 June 2020.	HK\$1,200,000,000 (Hong Kong Dollars One Billion Two Hundred Million)
The Remaining Portion of Inland Lot No 1072, The Remaining Portion of Sub-Section 1 of Section A of Inland Lot No 1072 and The Remaining Portion of Section A of Inland Lot No 1072 ("IL 1072 RP, IL 1072 sAss1 RP and IL 1072 sA RP")	<p>The Property is situated at the northern side of Bonham Strand West and southern side of Wing Lok Street surrounded by composite commercial/residential developments, offices, hotels and aged tenement blocks.</p> <p>The Property is designed and built into a 32-storey hotel with a total gross floor area of approximately 56,361 sq ft (5,236.1 sq m) providing 98 guestrooms and suites (accommodatable to 162 individual room bays). As advised by the Group, the hotel is planned to be opened and operated in the 2nd quarter of 2020.</p> <p>IL 1072 RP, IL 1072 sAss1 RP and IL 1072 sA RP are held under a Government Lease for a term of 999 years from 26 September 1842 at an annual rent of about \$74.</p>		

## Notes:

- (1) According to the record obtained from the Land Registry, as at the Valuation Date, the registered owner of the Property was "Fine Cosmos Development Limited", an affiliate of the Company.
- (2) As at the Valuation Date, the Property was subject to following major encumbrances:-
  - a. Offensive Trade Licence by District Lands Officer, Hong Kong West & South vide a memorial no 11122801660189 dated 6 July 2011 (Re IL 1072 RP, IL 1072 sAss1 and IL 1072 sA RP);
  - b. Debenture and Mortgage vide a memorial no 12020802240492 dated 7 February 2012 in favour of The Bank of East Asia, Limited to secure all moneys in respect of general banking facilities (including but not limited to term loan facilities in the aggregate principal amount of up to HK\$285,000,000 upon and subject to the terms and conditions and for the purposes mentioned in a loan agreement dated 7 February 2012 and made between Fine Cosmos Development Limited as borrower and The Bank of East Asia, Limited as lender), interests thereon and all other moneys payable in respect thereof;

- c. Supplemental to Debenture and Mortgage vide a memorial no 15061202760193 dated 29 May 2015 in favour of The Bank of East Asia, Limited to secure all moneys in respect of general banking facilities; and
  - d. Second Supplement to Debenture and Mortgage vide a memorial no 18102202120830 dated 10 October 2018 in favour of The Bank of East Asia, Limited to secure all moneys in respect of general banking facilities.
- (3) As at the Valuation Date, the Property was situated within an area zoned for “Commercial” uses under draft Sai Ying Pun & Sheung Wan (HPA 3) Outline Zoning Plan No S/H3/33 exhibited on 9 August 2019.
- (4) In the course of our valuation, we have made certain assumptions which collectively may have a material impact on our valuation and these are noted as follows:-
- a. The Property is vested by the registered owner and can be fully developed, transferred, mortgaged, occupied and operated by the registered owner without any restrictions;
  - b. The Property is constructed as a hotel according to the development scheme;
  - c. All approvals, permits and consents required including planning approval, building plan approval and construction permit were obtained from the relevant Government authorities without onerous conditions and delays for the operation of the hotel development; and
  - d. We assumed that the hotel development is completed in a reasonable condition with appropriate furniture, fixtures and equipment and ready for proper hotel operation.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the 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 Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS

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

Century City/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/Other interests	
1. Century City	Mr. LO Yuk Sui	Ordinary (issued)	110,867,396	1,769,164,691 (Note a)	380,683	1,880,412,770 (58.69%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
	Miss LO Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
	Mr. Kelvin LEUNG So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
2. Paliburg	Mr. LO Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
	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%)



Century City/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/Other interests	
	Mr. Donald FAN Tung	Ordinary (issued)	556	–	–	556 (0.000%)
	Mr. Kelvin LEUNG So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)
3. Regal	Mr. LO Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
	Miss LO Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
	Mr. Kelvin LEUNG So Po	Ordinary (issued)	200	–	–	200 (0.000%)
4. Cosmopolitan	Mr. LO Yuk Sui	Ordinary  (i) (issued)  (ii) (unissued)	–	3,084,174,716 (Notes e & ac)  5,024,058,784 (Note f)	–	3,084,174,716  5,024,058,784
		Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.99%)
	Mr. Jimmy LO Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
	Miss LO Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)
5. Regal REIT	Mr. LO Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)
6. 8D International (BVI) Limited	Mr. LO Yuk Sui	Ordinary (issued)	–	1,000 (Note h)	–	1,000 (100%)
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%)
					Total:	8,108,233,500 (183.70%)

	Century City/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Personal interests	Corporate interests	Family/Other interests	
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%)
21.	Net Community Limited	Mr. LO Yuk Sui	Ordinary (issued)	–	3 (Note w)	–	3 (100%)
22.	Pilot Pro Holdings Limited	Mr. LO Yuk Sui	Ordinary (issued)	–	1 (Note x)	–	1 (100%)

	Century City/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Personal interests	Corporate interests	Family/Other interests	
23.	Speedway Technology Limited	Mr. LO Yuk Sui	Ordinary (issued)	–	50,000 (Note y)	–	50,000 (100%)
24.	Task Master Technology Limited	Mr. LO Yuk Sui	Ordinary (issued)	–	1 (Note z)	–	1 (100%)
25.	Top Technologies Limited	Mr. LO Yuk Sui	Ordinary (issued)	–	10,000 (Note aa)	–	10,000 (100%)
26.	Treasure Collection International Limited	Mr. LO Yuk Sui	Ordinary (issued)	–	2 (Note ab)	–	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”).
- (b) The interests in 694,124,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 58.68% shareholding interests.

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 RHIHL were held through companies wholly owned by Century City, in which Mr. Lo held 58.68% shareholding interests. The interests in 599,025,861 issued ordinary shares of Regal were held through companies wholly owned by Paliburg, in which Century City held 62.28% shareholding interests. The interests in the other 23,408,000 issued ordinary shares of Regal were held through a wholly owned subsidiary of Cosmopolitan, in which P&R (which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries) held 57.82% shareholding interests. Paliburg held 69.25% shareholding interests in Regal.
- (d) The interests in 269,169 issued ordinary shares of Regal were held by Miss LO Po Man as the beneficiary of a trust.
- (e) The interests in 2,552,316,716 issued Cosmopolitan Shares 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. The interests in the other 531,858,000 issued Cosmopolitan Shares were held through wholly owned subsidiaries of Regal. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 58.68% shareholding interests in Century City.
- (f) The interests in 5,024,058,784 unissued Cosmopolitan Shares 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 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 58.68% shareholding interests in Century City.

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

The interests in 1,428,571,428 unissued Cosmopolitan Shares are derivative interests held through interests in the convertible bonds in the principal amount of HK\$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan (the "CB Issuer"). The convertible bonds are convertible into new Cosmopolitan Shares at a conversion price of HK\$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued Cosmopolitan Shares are derivative interests held through interests in convertible bonds in a principal amount of HK\$500,000,000 issued by the CB Issuer. The convertible bonds are convertible into new Cosmopolitan Shares at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of Regal. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of Paliburg. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of Century City. Cosmopolitan was held as to 57.82% shareholding interests by 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 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 58.68% shareholding interests in Century City.
- (h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.68% shareholding interests, 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 58.68% shareholding interests, 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	58.68
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	58.68
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:

<b>(a) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
Century City	Mr. Lo	58.68
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>(b) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
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:

<b>(a) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
Century City	Mr. Lo	58.68
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>(b) Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
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	58.68
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	58.68
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	58.68
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	58.68
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	58.68
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	58.68
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	58.68
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	58.68
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 as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City	Mr. Lo	58.68
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	58.68
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	58.68
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	58.68
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

(ac) Completion of the sale of the Second Cosmo Shares (368,320,000 issued Cosmopolitan Shares) by the Second Cosmo Shares Vendor to the Second Cosmo Shares Purchaser is subject to the fulfilment of relevant conditions as stipulated in the Second Cosmo Shares Transfer Agreement.

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

Details of directorships of the 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 YSL International Holdings Limited.
- (2) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To and Miss LO Po Man are directors of Grand Modern Investments Limited.

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

### 3. OTHER INTERESTS OF DIRECTORS

As at the Latest Practicable Date,

- (a) Interests in service contracts

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

- (b) Interests in assets

none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2018, being the date to which the latest published audited financial statements of Century City Group were made up, been acquired or disposed of by or leased to any member of Century City Group or were proposed to be acquired or disposed of by or leased to, any member of Century City Group; and

- (c) Interests in contracts or arrangements

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

### 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of Century City Group other than those businesses to which the Directors and their associates were appointed to represent the interests of Century City and/or Century City Group.

## 5. LITIGATION

Save as disclosed in this circular, so far as the Directors are aware, there was no litigation or claims of material importance pending or threatened against any member of Century City Group as at the Latest Practicable Date.

## 6. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the experts who have given, or agreed to the inclusion of, their opinions or advice in this circular:

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified public accountants
Knight Frank Petty Limited	Independent Professional Valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any interest in the share capital of any member of Century City Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of Century City Group, and each of the above experts had no interest, either directly or indirectly, in any assets which have been, since 31 December 2018, the date to which the latest published audited financial statements of Century City Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of Century City Group.

## 7. MATERIAL CONTRACTS

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

- (a) the First Cosmo Shares Transfer Agreement and the Second Cosmo Shares Transfer Agreement;
- (b) the AMTD I Acquisition Agreement, the AMTD II Acquisition Agreement and the AMTD III Acquisition Agreement;
- (c) the CIDL Disposal Agreement;
- (d) the Hotel Interests Disposal Agreement;

- (e) the Hotel Shareholders Agreement;
- (f) the share transfer agreements dated 1 November 2019 entered into between Capital Merit Investments Limited, a wholly-owned subsidiary of Paliburg, Regal Hotels Investments Limited, a wholly-owned subsidiary of Regal, Valuegood International Limited, a wholly-owned subsidiary of P&R, Hollyview International Limited, and Mass Talent Financial Limited, in relation to the transfer of 350,000,000 ordinary shares of Cosmopolitan and 200,000,000 ordinary shares of Beijing Sports and Entertainment Industry Group Limited (stock code: 1803) between the parties;
- (g) the share swap agreements dated 24 January 2019 entered into between Valuegood International Limited, a wholly-owned subsidiary of P&R, Hollyview International Limited, Orient Future Investments Limited and Mass Talent Financial Limited, pursuant to which Valuegood International Limited has swapped its 350,000,000 ordinary shares of Cosmopolitan for a total of 200,000,000 ordinary shares of Beijing Sports and Entertainment Industry Group Limited (stock code: 1803);
- (h) the CIDL Subsidiary Deposit Agreement and the CIDL Subsidiary Deposit (Supplemental) Agreement;
- (i) the CIDL Subsidiary Loan Agreement; and
- (j) the Second CIDL Subsidiary Loan Agreement.

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

## 8. MISCELLANEOUS

- (a) The registered office of Century City is at 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM12, 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.
- (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 share registrar of Century City in Hong Kong is Tricor Tengis Limited, Level 54, 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 for 14 days commencing from the date of this circular 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 2017 and 2018;
- (c) the report on the unaudited pro forma financial information of Century City Group issued by Ernst & Young as set out in Appendix VI to this circular;
- (d) the valuation report on the Hotel, the text of which is set out in Appendix VII to this circular;
- (e) the written consents referred to in the section headed “Qualification and consent of experts” in this appendix;
- (f) the material contracts referred to in the section headed “Material contracts” in this appendix; and
- (g) this circular.



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## NOTICE OF SGM

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**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 Friday, 24 April 2020 at 11:00 a.m. (the “**SGM**”) for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution, which will be proposed as ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

- “(a) THAT the disposal of the Second Cosmo Shares (as defined in the circular of the Company dated 31 March 2020 (“**Circular**”) to its shareholders of which this notice forms part) by the Second Cosmo Shares Vendor (as defined in the Circular), a subsidiary of the Company, to the Second Cosmo Shares Purchaser (as defined in the Circular) on the terms and subject to the conditions of the Second Cosmo Shares Transfer Agreement (as defined in the Circular) and the transactions contemplated by the Second Cosmo Shares Transfer Agreement as described in the Circular, be and are hereby approved, ratified and/or confirmed and that the directors of the Company be and are hereby authorised to take all such steps to implement the same and to execute all documents and deeds as may be necessary or appropriate in relation thereto, subject to such non-material modifications, amendments, waivers, variations or extensions of such terms and conditions as they think fit; and
- (b) THAT the acquisition of the AMTD III Shares (as defined in the Circular) by P&R Finance (as defined in the Circular), a subsidiary of the Company, from the AMTD Shares Vendor (as defined in the Circular) on the terms and subject to the conditions of the AMTD III Acquisition Agreement (as defined in the Circular) and the transactions contemplated by the AMTD III Acquisition Agreement as described in the Circular, be and are hereby approved, ratified and/or confirmed and that the directors of the Company be and are hereby authorised to take all such steps to implement the same and to execute all documents and deeds as may be necessary or appropriate in relation thereto, subject to such non-material modifications, amendments, waivers, variations or extensions of such terms and conditions as they think fit.”

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

Hong Kong, 31 March 2020

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## NOTICE OF SGM

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*Registered office:*  
4th Floor North  
Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

*Head office and principal place of business  
in Hong Kong:*  
11th Floor, 68 Yee Wo Street  
Causeway Bay  
Hong Kong

### **Notes:**

1. For the purpose of ascertaining shareholders' entitlement to attend and vote at the SGM, the register of ordinary shareholders of the Company will be closed from Tuesday, 21 April 2020 to Friday, 24 April 2020, both dates inclusive, and no transfer of ordinary shares of the Company will be effected during such period. In order to be entitled to attend and vote at the SGM, all transfers of ordinary shares of the Company, duly accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 20 April 2020.
2. 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.
3. 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 54, 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.
4. 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.
5. 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.
6. 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.