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

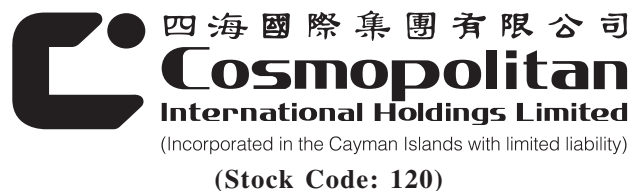
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional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

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

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### **DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO (I) CIDL DISPOSAL; (II) AMTD II ACQUISITION; AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial adviser**



**Yue Xiu Capital Limited**

**Independent Financial Adviser**

**to the Independent Board Committee and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

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The notice convening the extraordinary general meeting of Cosmopolitan International Holdings Limited (the “**Company**”) to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 24 March 2020 at 10:30 a.m. (the “**EGM**”) is appended to this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM 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 EGM or any adjourned meeting should you so wish.

5 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 depositary 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 the BVI, a wholly-owned subsidiary of the Company
“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 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 the BVI, the controlling shareholder of AMTD
“associate(s)”	has the meaning ascribed to such term in the Listing Rules
“Beijing Fuli”	北京富利投资管理有限公司 (Beijing Fuli Investment Management Company Limited*), a company established under the laws of the PRC, 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
“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

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## DEFINITIONS

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“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 the Company
“CIDL Completion Date”	the date on which completion of CIDL Disposal Agreement will take place, which shall be on 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\$750.2 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, a wholly-owned subsidiary of the Company
“CIDL Share”	the entire issued share capital of CIDL, which is legally and beneficially owned by the CIDL Seller as at the Latest Practicable Date
“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 the Company

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## DEFINITIONS

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“CIDL Subsidiary Deposit”	the deposit in the total sum of RMB170.0 million paid by CIDL Subsidiary to Yuancheng 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
“Company” or “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)
“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 Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“CPS Holders”	holders of the non-voting non-redeemable convertible preference shares of HK\$0.002 each in the share capital of the Company
“Directors”	directors of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 24 March 2020 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the CIDL Related Transactions
“Fine Cosmos”	Fine Cosmos Development Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Hotel Holding Company
“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 First Cosmo Shares of an aggregate of 220,000,000 existing Cosmopolitan 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, 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, inter alia, the CIDL Related Transactions
“Group”	the Company and its subsidiaries
“Guarantees”	the guarantees for 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
“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

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## DEFINITIONS

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“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 interest 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
“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
“Hotel Financial Assistance”	the Guarantees and the Top Up Loan
“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 transferred 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 completion date of the Hotel Interests Disposal, 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 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 the Hotel Interests Disposal
“Hotel Interests Disposal Completion”	the completion of the Hotel Interests Disposal
“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



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## DEFINITIONS

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“Hotel Purchaser”	AMTD Property Investment Holdings Limited, a company incorporated in the BVI, a wholly-owned subsidiary of the AMTD Shares Vendor
“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’ 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”	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board
“Independent Board Committee”	an independent committee of the Board, comprising Mr. LEE Choy Sang and Mr. David LI Ka Fai (both being independent non-executive Directors), established to advise the Independent Shareholders on the CIDL Related Transactions
“Independent Financial Adviser” or “Altus”	Altus Capital Limited, a licensed corporation to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities for the purposes of the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the CIDL Related Transactions
“Independent Shareholders”	Shareholders who are not prohibited or required to abstain from voting under the Listing Rules to approve the CIDL Related Transactions at the EGM
“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

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## DEFINITIONS

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“Latest Practicable Date”	28 February 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 of Hong Kong Limited
“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
“Other Transactions”	collectively, the Shares Related Transactions, the Hotel Related Transactions and the AMTD III Share Swap
“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 date of the Hotel Interests Disposal Completion and as at the Latest Practicable Date
“P&R”	P&R Holdings Limited, a company owned as to 50% by the Paliburg Group (excluding the Regal Group) and 50% by the Regal Group
“P&R Finance”	P&R Finance Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of P&R
“P&R Group”	P&R and its subsidiaries

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## DEFINITIONS

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“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
“Regal REIT Manager”	Regal Portfolio Management Limited (in its capacity as the manager of Regal Real Estate Investment Trust (Stock Code: 1881)), a company incorporated in Hong Kong and a wholly-owned subsidiary of Regal
“Relevant Group Companies”	Century City, Paliburg, Regal, RH International and the Company
“RH International”	RH International Finance Limited, a company incorporated in the BVI, 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)
“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 the 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 Second Cosmo Shares of an aggregate of 368,320,000 existing Cosmopolitan 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

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## DEFINITIONS

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“Second Cosmo Shares Vendor”	Valuegood International Limited, a company incorporated in the BVI, 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“Shareholder(s)”	the holder(s) of the Cosmopolitan Shares
“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 HK302.8 million advanced by P&R (as the lender) to Fine Cosmos (as the borrower) for the development of the Hotel upon the Hotel Interests Disposal Completion
“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.

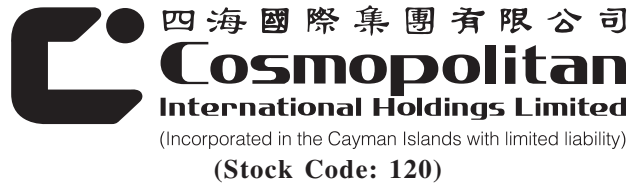
\* For identification purpose only

*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 approximate 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 and Managing Director)*

Miss LO Po Man *(Vice Chairman)*

Mr. Kenneth WONG Po Man

*(Chief Operating Officer)*

Mr. Kelvin LEUNG So Po

*(Chief Financial Officer)*

Mr. Kenneth NG Kwai Kai

*Registered office:*

P.O. Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

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

11th Floor

68 Yee Wo Street

Causeway Bay, Hong Kong

*Non-executive Director:*

Mr. Francis BONG Shu Ying

*Independent non-executive Directors:*

Ms. Alice KAN Lai Kuen

Mr. LEE Choy Sang

Mr. David LI Ka Fai

Hon. Abraham SHEK Lai Him, GBS, JP

5 March 2020

*To the Shareholders and, for information purpose only, the CPS Holders,*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO (I) CIDL DISPOSAL; AND (II) AMTD II ACQUISITION**

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

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## LETTER FROM THE BOARD

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The CIDL Related Transactions constitute discloseable and connected transactions for the Company and are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules. The EGM will be convened for the purpose of considering and, if thought fit, approving the CIDL Related Transactions.

The purpose of this circular is to provide the Shareholders with, among others, (a) further information in relation to the CIDL Related Transactions; (b) letter of advice from the Independent Board Committee in relation to the CIDL Related Transactions; (c) letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the CIDL Related Transactions; and (d) a notice of the EGM to consider and, if thought fit, to approve the ordinary resolutions in relation to the CIDL Related Transactions.

### I. 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 the Company in relation to the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement (the **"CIDL Circular"**); (f) the 2018 Annual Report of the Company; and (g) the 2019 Interim Report of the Company.

As disclosed in the CIDL Announcements and the CIDL Circular:

- (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.

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## LETTER FROM THE BOARD

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The CIDL Subsidiary Deposit, the CIDL Subsidiary Loan Facility, the Second CIDL Subsidiary Loan Facility, together with the total interest accrued thereon, amounted to RMB360.7 million (before tax provision) as at 30 June 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 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 had been entered into between the parties, the CIDL Seller had ceased the negotiations under the CIDL MOU. As disclosed in the joint announcement of the Relevant Group Companies dated 20 December 2019, the Company 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.

On 16 January 2020, three civil complaints\* (民事起訴狀, 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). Details of the Civil Complaints were set out in the joint announcement of the Relevant Group Companies dated 16 January 2020.

### THE CIDL DISPOSAL AGREEMENT

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

Date: 31 December 2019

Parties: The CIDL Seller, a wholly-owned subsidiary of the Company  
The CIDL Purchaser

Save as otherwise disclosed in this circular, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the CIDL Purchaser is an Independent Third Party of the Company.

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## LETTER FROM THE BOARD

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- 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 the Company.

If the CIDL Seller procures CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of the Company, 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 Company, 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 interest accrued thereon up to 31 December 2019 of RMB100.0 million and approximately RMB46.3 million, respectively;
- (c) the principal amount outstanding under the Second CIDL Subsidiary Loan Facility and the total interest accrued thereon up to 31 December 2019 of RMB50.0 million and approximately RMB23.1 million, respectively; and
- (d) 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).



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## LETTER FROM THE BOARD

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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.

Condition precedent:

Completion of the CIDL Disposal shall be conditional upon the passing of the necessary resolution by the Independent Shareholders at the EGM to approve the CIDL Disposal Agreement and the transactions contemplated therein or incidental thereto and the implementation thereof. If the condition precedent is not satisfied on or before 31 March 2020, the CIDL Disposal Agreement shall automatically terminate (unless otherwise agreed in writing by the parties).

The condition precedent has not been fulfilled as at the Latest Practicable Date.

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

Costs reimbursement:

The CIDL Seller undertakes to reimburse the costs and expenses reasonably and properly incurred by 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 Group will apply the proceeds from the CIDL Disposal for the purchase of the AMTD II Shares under the AMTD II Acquisition.

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## LETTER FROM THE BOARD

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The CIDL Seller and the CIDL Purchaser considered the possibility of excluding Beijing Fuli from the CIDL Group in their course of negotiations 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 the Company.

The inter-company receivables due by the Group to Beijing Fuli will be written-off or transferred to the Group before the completion of the CIDL Disposal unless the CIDL Seller decides to procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of the Company before the completion of the CIDL Disposal.

### 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 HK\$'000</b>	<b>For the financial year ended 31 December 2018 HK\$'000</b>	<b>For the financial year ended 31 December 2019 HK\$'000</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 HK\$'000</b>	<b>As at 31 December 2018 HK\$'000</b>	<b>As at 31 December 2019 HK\$'000</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

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## LETTER FROM THE BOARD

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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 HK\$'000</b>	<b>For the financial year ended 31 December 2018 HK\$'000</b>	<b>For the financial year ended 31 December 2019 HK\$'000</b>
Revenue	—	—	—
Profit before taxation	129	14,735	64,109
Profit after taxation	91	11,045	48,067
	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 December 2018 HK\$'000</b>	<b>As at 31 December 2019 HK\$'000</b>
Total assets	360,562	720,785	766,906
Total liabilities	384,581	755,370	767,001
Net liabilities	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 HK\$'000</b>	<b>For the financial year ended 31 December 2018 HK\$'000</b>	<b>For the financial year ended 31 December 2019 HK\$'000</b>
Revenue	—	—	—
Profit / (loss) before taxation	151	(9)	(9)
Profit / (loss) after taxation	113	(9)	(9)
	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 December 2018 HK\$'000</b>	<b>As at 31 December 2019 HK\$'000</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

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## LETTER FROM THE BOARD

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### 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 the Company, it was preliminarily estimated that the 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 Group) and the total 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 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 the Company, it was preliminarily estimated that the 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 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 the Company 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

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## LETTER FROM THE BOARD

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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. The CIDL Disposal provides an opportunity for the Company 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 Group's net assets as the release of a loss in the exchange reserve will not have an effect on the Group's net assets.

Upon the completion of the CIDL Disposal, each member of the CIDL Group (including Beijing Fuli in case its issued share or paid-up capital is not procured to be transferred to a wholly-owned subsidiary of the Company) will cease to be a subsidiary of the Company, and the Company 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 the Company following the CIDL Completion Date.

Since the date of the CIDL Disposal Agreement and pending completion of the CIDL Disposal Agreement, the Company has 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: The AMTD II Purchaser, a wholly-owned subsidiary of the Company

The AMTD Shares Vendor, an investment holding company and the controlling shareholder of AMTD

The AMTD Shares Vendor was deemed as a connected person of the Company under Rule 14A.20 of the Listing Rules as detailed under the section headed "Listing Rules Implications". 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 the AMTD Shares Vendor which are listed on the Stock Exchange (stock code: 5222).

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## LETTER FROM THE BOARD

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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 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, the P&R Group (including the 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 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.

AMTD will not become a subsidiary of the Company and its financial statements will not be consolidated into that of the Company upon completion of the AMTD II Acquisition.

Consideration: The AMTD Shares Acquisition Price is US\$8.45 (equivalent to approximately HK\$65.91) per AMTD Class A Share which represents (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 discount of approximately 0.6% to the closing price of US\$8.50 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 shall be settled in cash upon completion.

The consideration for the AMTD II Acquisition will be funded by the proceeds from the CIDL Disposal.

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## LETTER FROM THE BOARD

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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;
- (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 thereby by the Independent Shareholders at the EGM in accordance with the Listing Rules.

As at the Latest Practicable Date, none of the conditions precedent have been 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.

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## LETTER FROM THE BOARD

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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 the 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 the 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.

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 (i) the AMTD II Purchaser will be entitled to nominate or appoint any director to the board of AMTD, and (ii) the AMTD II Purchaser or Cosmopolitan will be involved in the day-to-day operation of AMTD.

### **Directors' view on fairness and reasonableness of the CIDL Disposal and the AMTD II Acquisition**

As set out in the CIDL Announcements, the CIDL Seller entered into the 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. The Company 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 the Company to monetise the funds tied up in this non-core asset of the Company for re-deployment in AMTD.



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## LETTER FROM THE BOARD

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Taking into consideration the reasons as stated under the section headed “Reasons for and Benefits of the CIDL Related 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 (including those independent non-executive Directors who have formed the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this circular) 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 the Company and its shareholders as a whole.

### C. INFORMATION ON THE GROUP

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

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

	<b>Financial year ended 31 December 2017</b>	<b>Financial year ended 31 December 2018</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	830.1	2,147.3
Profit before taxation	36.3	316.5
Profit after taxation	11.8	201.9
	<b>As at 31 December 2017</b>	<b>As at 31 December 2018</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Total assets	5,855.3	4,638.6
Total liabilities	4,542.7	3,225.5
Net assets	1,312.6	1,413.1

### D. INFORMATION ON AMTD

AMTD is a comprehensive financial institution headquartered in Hong Kong which was incorporated under the laws of the Cayman Islands. AMTD operates a full-service platform encompassing three business lines: investment banking, asset management, and strategic investment. According to the AMTD Prospectus, under the investment banking segment, AMTD offers a broad range of services including equity underwriting, debt underwriting, advisory (on credit rating,

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## LETTER FROM THE BOARD

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financing, and mergers and acquisitions transactions), securities brokerage, institutional sales and distribution, and research; under the asset management segment, AMTD 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 have been listed on the New York Stock Exchange under the symbol "HKIB" since August 2019.

The shares 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 rights. 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.

As at the Latest Practicable Date, there were 23,873,655 ADSs in issue. Holders of ADS are not treated as shareholders of AMTD and will not have shareholder rights. Shareholder rights of AMTD shareholders are governed by the Cayman Islands law. The depositary which registers and delivers the ADS will be 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/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 in a foreign currency 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 the articles of association or similar documents of AMTD, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders.

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.

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## LETTER FROM THE BOARD

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### 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 2017 <i>HK\$'000</i></b>	<b>For the financial year ended 31 December 2018 <i>HK\$'000</i></b>	<b>For the nine months ended 30 September 2019 <i>HK\$'000</i></b>
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 31 December 2017 <i>HK\$'000</i></b>	<b>As at 31 December 2018 <i>HK\$'000</i></b>	<b>As at 30 September 2019 <i>HK\$'000</i></b>
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

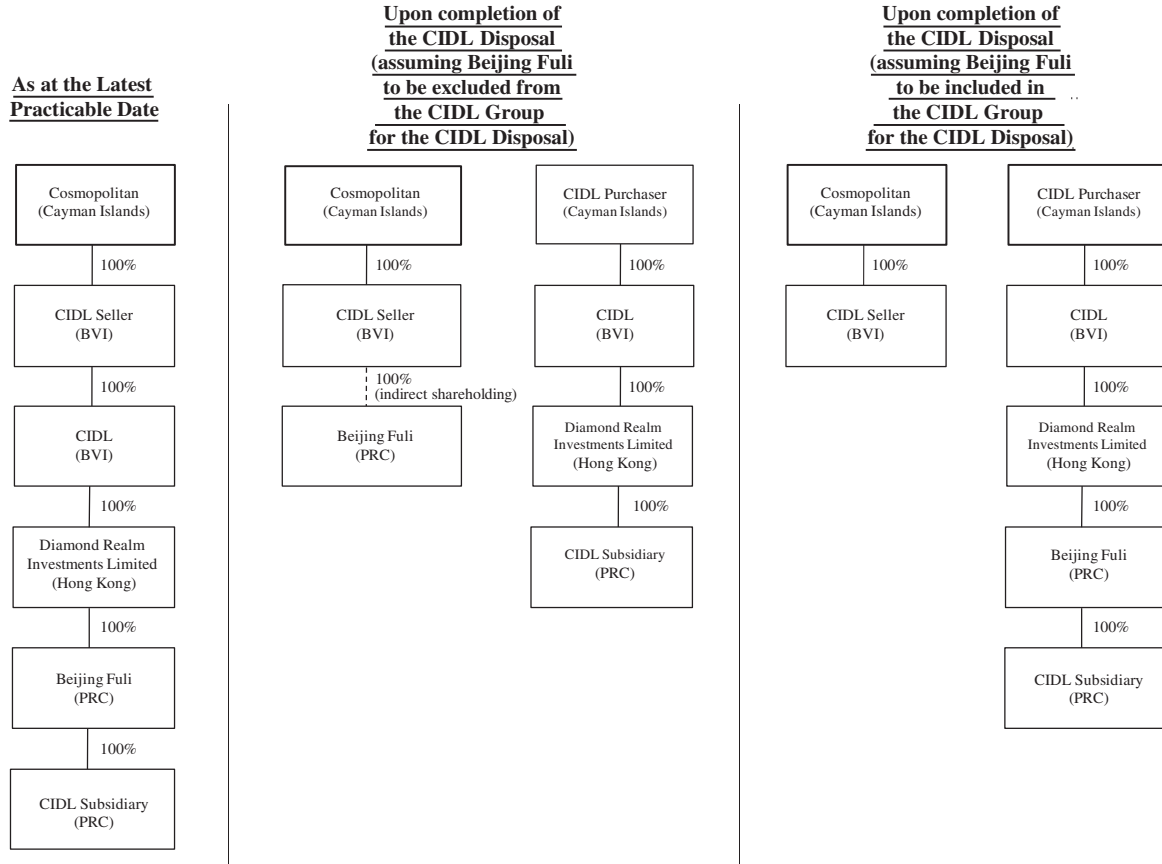
As at 30 September 2019, the net asset value per ordinary share of AMTD was approximately HK\$25.5 (approximately US\$3.27). AMTD has not declared any dividend since the listing of its ADSs in August 2019.

# LETTER FROM THE BOARD

## E. INFORMATION ON THE CIDL GROUP

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

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



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## LETTER FROM THE BOARD

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Reference is made to the joint announcement dated 16 January 2020 and issued by the Relevant Group Companies.

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). The CIDL Seller has disclosed in the CIDL Disposal Agreement these potential legal proceedings to the CIDL Purchaser. As at the Latest Practicable Date, the legal proceedings for the Civil Complaints were still in progress.

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. Subject to the approval of the CIDL Disposal by the Independent Shareholders in the EGM and the 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 the Company and the Group 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 CIDL Disposal is not approved by the Independent Shareholders in the EGM or, if for whatever reasons, the completion of the CIDL Disposal does not take place, if the amount of remedies awarded to CIDL Subsidiary in the Civil Complaints is less than the amount of the Chengdu Fuhui Debts, the Group will recognise a loss resulting from the excess of the amount of the Chengdu Fuhui Debts over the amount of remedies awarded to 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, the 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 the Group if the CIDL Disposal is approved by the Independent Shareholders in the EGM and the CIDL Disposal is completed.

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

### **F. INFORMATION ON OTHER COUNTERPARTIES**

The 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 the AMTD Shares Vendor.

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## LETTER FROM THE BOARD

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The AMTD Shares Vendor is a company incorporated in the BVI, and the controlling shareholder of AMTD. AMTD is a comprehensive financial institution headquartered in Hong Kong which was incorporated under the laws of the Cayman Islands. As disclosed in the AMTD Prospectus, the shareholders of the 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 the AMTD Shares Vendor, respectively. The AMTD Shares Vendor was deemed a connected person of the Company under Rule 14A.20 of the Listing Rules as detailed under the section headed “Listing Rules Implications”.

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

### **G. REASONS FOR AND BENEFITS OF THE CIDL RELATED TRANSACTIONS**

The management of the Group has been carrying out an overall review of its businesses and investments with the aim to rationalise and optimise the allocation of its resources. It is the plan of the Group to expand and diversify its investment portfolio.

As the principal assets of the CIDL Group comprise the CIDL Subsidiary Deposit, the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility, which are not related to the core business of the Group, the Group has been actively exploring other opportunities for the divestment of its interests in CIDL after the discontinuance of its negotiations with a potential purchaser in respect of the entire interests in CIDL as set out in the joint announcement of the Relevant Group Companies dated 20 December 2019.

As at the Latest Practicable Date, the CIDL Seller has not decided whether to procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of the Company. 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 CIDL Related Transactions as a whole provide an opportunity for the Company to re-allocate its existing resources for deployment in AMTD without affecting its cash position. Under the CIDL Related Transactions, the proceeds to be generated under the CIDL Disposal will be deployed for the AMTD II Acquisition, and is expected to result in the Company holding 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 Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date. The Directors (including those independent non-executive Directors who have formed the Independent Board Committee whose views are set out

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## LETTER FROM THE BOARD

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in the Letter from the Independent Board Committee in this circular) are of the view that this proposed investment in AMTD represents an opportunity for the Group to expand and diversify its investment portfolio into the financial sector as AMTD is a reputable financial services provider in the Asian Pacific region with a proven record of profitability and the listing of its ADSs provides better liquidity for realisation when compared to the holding of the Chengdu Fuhui Debts through CIDL. It is the intention of the Group to treat its investment in AMTD as a long-term strategic investment in a listed financial services platform which is well positioned to capitalise on merchant banking opportunities emanating from the Asian Pacific region. Notwithstanding the facts that the AMTD II Acquisition Agreement does not entitle the AMTD II Purchaser to nominate or appoint any director to the board of AMTD and to be involved in the day-to-day operations of AMTD, it is expected that because of the respective shareholding of the Group and the P&R Group in AMTD, the Group could leverage on AMTD's business network, strong relationships with clients and its industry knowledge and experience to explore and capture new business or investment opportunities in the global capital markets with the aim to further enhance shareholder value of the Company.

By taking into consideration the abovementioned factors, the Directors (including those independent non-executive Directors who have formed the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this circular) are of the view that the successful implementation of the CIDL Related Transactions would allow the Group to effectively monetise its funds tied up in this non-core assets for re-deployment in other relatively liquid investment alternatives, which is in the interests of the Company and its shareholders as a whole.

As at the Latest Practicable Date, there was no negotiation, agreement or understanding between the Company and AMTD in relation to the introduction of potential investment opportunities to the Group.

## II. BACKGROUND OF OTHER TRANSACTIONS

Apart from the CIDL Related Transactions, the details of which are set out in this circular, the Century City Group (other than the Group) also entered into the following Other Transactions with various parties including the AMTD Shares Vendor as disclosed in the First Joint Announcement and the Second Joint Announcement:

### (a) The Shares Related Transactions

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

#### (i) *First Cosmo Shares Transfer*

On 31 December 2019 (after trading hours of the Stock Exchange), the First Cosmo Shares Vendor (a wholly-owned subsidiary of P&R which is owned as to 50% by Paliburg Group (excluding Regal Group) and 50% by Regal Group) as seller entered into the First Cosmo Shares Transfer Agreement with the First Cosmo Shares Purchaser as purchaser, pursuant to which the First Cosmo

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## LETTER FROM THE BOARD

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Shares Vendor agreed to sell and the First Cosmo Shares Purchaser agreed to purchase the First Cosmo Shares, representing approximately 4.98% of the Cosmopolitan Shares as at the Latest Practicable Date, at HK\$1.70 per Cosmopolitan Share. Completion of the First Cosmo Shares Transfer took place on 10 January 2020.

### ***(ii) AMTD I Acquisition***

On 31 December 2019 (after trading hours of the Stock Exchange), P&R Finance (a wholly-owned subsidiary of P&R) as purchaser and the AMTD Shares Vendor as seller 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 (comprising 5,674,000 AMTD Class A Shares) at US\$47,945,300, representing a price of US\$8.45 per AMTD Class A Share. Completion of the AMTD I Acquisition was conditional upon, among others, the completion of the First Cosmo Shares Transfer. Completion of the AMTD I Acquisition took place on 10 January 2020.

### **(b) Hotel Related Transactions**

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

#### ***(i) Hotel Interests Disposal***

On 31 December 2019 (after trading hours of the Stock Exchange), P&R as seller and the Hotel Purchaser as purchaser entered into the Hotel Interests Disposal Agreement, pursuant to which P&R agreed to sell 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 final Hotel Interests Disposal Consideration of approximately HK\$270.4 million, after the Hotel Consideration Adjustment.

Of the Hotel Interests Disposal Consideration, HK\$60.0 million was paid in cash, with the remaining approximately HK\$210.4 million settled by a loan note due on 31 March 2020. The repayment of the loan note is guaranteed by the 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. Completion of the Hotel Interests Disposal took place on 31 December 2019.

The Hotel Interests Disposal Agreement also granted the Hotel Call Option and the Hotel Put Option to the Hotel Purchaser and P&R, respectively, which if fully exercised, would lead to the Hotel Purchaser acquiring further equity interests up to 100% in the Hotel Holding Company at stipulated stepped up prices, as set out in the First Joint Announcement.

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 with consent of P&R pursuant to the terms of the Hotel Interests Disposal Agreement. Upon completion of such transfer, the aforesaid loan note was also novated by the Hotel



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## LETTER FROM THE BOARD

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Purchaser to the Second Cosmo Shares Purchaser and such novated loan note is also guaranteed by the AMTD Shares Vendor and is secured by a new share mortgage on the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan created by the Second Cosmo Shares Purchaser in favour of P&R for replacement of the Share Mortgage.

***(ii) Hotel Financial Assistance***

The development of the Hotel has been partially financed by the Project Loan Facility, which is guaranteed severally by Paliburg and Regal on 50%-50% basis in proportion to their respective equity interests in P&R. After the Hotel Interests Disposal Completion, P&R will use its reasonable endeavours to procure the New Facility to refinance the Project Loan Facility and the Top Up Loan. Pending conclusion of the refinancing arrangements, P&R has agreed to provide the Top Up Loan on an unsecured basis. Paliburg and Regal will continue to provide the Guarantees for the Project Loan Facility after the Hotel Interests Disposal Completion.

**(c) AMTD III Share Swap**

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

***(i) Second Cosmo Shares Transfer***

On 24 January 2020 (after trading hours of the Stock Exchange), the Second Cosmo Shares Vendor (a wholly-owned subsidiary of P&R) entered into the Second Cosmo Shares Transfer Agreement with the Second Cosmo Shares Purchaser, the 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 Second Cosmo Share. Completion of the Second Cosmo Shares Transfer is conditional upon, among others, (a) Century City and Paliburg having obtained approval of the transactions contemplated under the Second Cosmo Shares Transfer Agreement from their respective shareholders in a general meeting or by written approval (as the case may be); and (b) 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).

***(ii) AMTD III Acquisition***

On 24 January 2020 (after trading hours of the Stock Exchange), P&R Finance entered into the AMTD III Acquisition Agreement with the AMTD Shares Vendor, pursuant to which the AMTD Shares Vendor conditionally agreed to sell and P&R Finance conditionally agreed to acquire the AMTD III Shares at US\$8.45 (equivalent to approximately HK\$65.91) per AMTD Class A Share. Completion of the AMTD III Acquisition is conditional upon, among others, (a) Century City and Paliburg having obtained approval of the transaction contemplated under the AMTD III Acquisition Agreement from their respective shareholders in general meeting or by written approval (as the case may be) and (b) the Second Cosmo Shares Transfer Agreement having 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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Please refer to the First Joint Announcement and the Second Joint Announcement for further details of the Other Transactions.

**(d) Relationship with the CIDL Related Transactions**

Except for the following:

- (a) the AMTD Shares Vendor is deemed to be a connected person of the Company under Rule 14A.20 of the Listing Rules because it has entered into (i) the AMTD II Acquisition Agreement with the AMTD II Purchaser which is a wholly-owned subsidiary of the Company; and (ii) the AMTD I Acquisition Agreement with P&R Finance, a wholly-owned subsidiary of P&R which is the immediate holding company of the Company, and as such, the AMTD II Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules;
- (b) as the completion of the AMTD II Acquisition is conditional upon the completion of the CIDL Disposal, the CIDL Disposal and the AMTD II Acquisition were considered on an aggregate basis and accordingly, the CIDL Related Transactions constitute connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules;
- (c) the Century City Group and Paliburg Group will, subject to the necessary shareholders' approval of Century City at its forthcoming special general meeting and written shareholders' approval of Paliburg respectively in accordance with the Listing Rules, further increase its shareholding in AMTD through the AMTD III Share Swap as disclosed in the Second Joint Announcement; and
- (d) the disposal of Second Cosmo Shares through the Second Cosmo Shares Transfer will be subject to the necessary shareholders' approval of Century City at its forthcoming special general meeting and written shareholders' approval of Paliburg in accordance with the Listing Rules,

the CIDL Related Transactions are independent from the Other Transactions and are not conditional upon the completion of any Other Transactions, and the Other Transactions are not conditional on the approval of the CIDL Related Transactions by the Independent Shareholders. Accordingly, the Directors are of the view that Independent Shareholders should take note of the existence of the Other Transactions while assessing the terms of the CIDL Related Transactions and considering the recommendation made by each of the Board (excluding those independent non-executive Directors who have formed the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this circular), the Independent Board Committee (after taken into consideration the opinion of the Independent Financial Adviser) and the Independent Financial Adviser prior to making an informed decision for voting on the ordinary resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### III. LISTING RULES IMPLICATIONS

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

As the highest applicable percentage ratio in respect of the AMTD II Acquisition is more than 5% but is less than 25%, the AMTD II Acquisition constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The AMTD Shares Vendor is deemed to be a connected person of the Company under Rule 14A.20 of the Listing Rules because it has entered into (a) the AMTD II Acquisition Agreement with the AMTD II Purchaser which is a wholly-owned subsidiary of the Company; and (b) the AMTD I Acquisition Agreement with P&R Finance, a wholly-owned subsidiary of P&R which in turn is the immediate holding company of the Company, and as such, the AMTD II Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the completion of the AMTD II Acquisition is conditional upon, among others, the completion of the CIDL Disposal, the CIDL Disposal and the AMTD II Acquisition are considered on an aggregate basis and accordingly, the CIDL Related Transactions also constitute connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The P&R Group and its associates (including the Regal Group) and the Directors, which together held and were entitled to exercise control over the voting rights in respect of 3,087,823,817 Cosmopolitan Shares, representing approximately 69.96% of all the Cosmopolitan Shares in issue as at the Latest Practicable Date, will abstain from voting at the EGM. As at the Latest Practicable Date, no Shareholder (other than the P&R Group and its associates and the Directors) had an interest in the CIDL Related Transactions materially different from other Shareholders.

The Company has four independent non-executive Directors, namely Ms. Alice KAN Lai Kuen, Mr. LEE Choy Sang, Mr. David LI Ka Fai and Hon. Abraham SHEK Lai Him. Hon. Abraham SHEK Lai Him is also an independent non-executive director of Paliburg and the Regal REIT Manager while Ms. Alice KAN Lai Kuen is also an independent non-executive director of Regal. Accordingly, the Company has established the Independent Board Committee, comprising Mr. LEE Choy Sang and Mr. David LI Ka Fai, to advise the Independent Shareholders in respect of the CIDL Related Transactions. Hon. Abraham SHEK Lai Him and Ms. Alice KAN Lai Kuen are not members of the Independent Board Committee.

### IV. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 24 March 2020 at 10:30 a.m. at which ordinary resolutions will be proposed to consider and, if thought fit, approve the CIDL Related Transactions, is set out on pages N-1 to N-3 of this circular.

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## LETTER FROM THE BOARD

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

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend and vote at the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof, should you so wish.

### V. RECOMMENDATION

The Directors (including those independent non-executive Directors who have formed the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this circular) consider that the terms of the CIDL Disposal and the AMTD II Acquisition are (a) on normal commercial terms and in the ordinary and usual course of business of the Group; (b) fair and reasonable; and (c) in the interests of the Company and its shareholders as a whole, and recommend all the Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the EGM to approve the CIDL Disposal and the AMTD II Acquisition.

### VI. ADDITIONAL INFORMATION

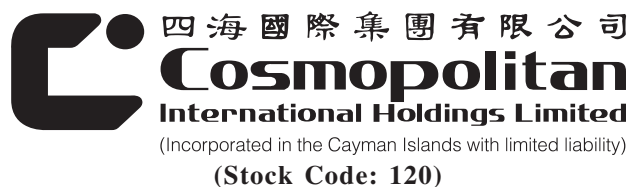
Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Cosmopolitan International Holdings Limited**  
**Lo Yuk Sui**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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5 March 2020

*To the Independent Shareholders,*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO (I) CIDL DISPOSAL; AND (II) AMTD II ACQUISITION**

#### **INTRODUCTION**

We refer to the circular of the Company dated 5 March 2020 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular. We have been appointed by the Board to advise you on the terms of the CIDL Disposal and the AMTD II Acquisition. The Independent Financial Adviser has been appointed as the independent financial adviser to advise you and us in the same regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 36 to 67 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

#### **RECOMMENDATION**

Having considered the terms of the CIDL Disposal and the AMTD II Acquisition and taking into account the independent advice of the Independent Financial Adviser and the relevant information contained in the “Letter from the Board” in the Circular, we are of the opinion that the terms of the CIDL Disposal and the AMTD II Acquisition are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole. Accordingly, we recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve the CIDL Disposal and the AMTD II Acquisition.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Mr. LEE Choy Sang**

*Independent non-executive Director*

**Mr. David LI Ka Fai**

*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CIDL Related Transactions, which has been prepared for the purpose of incorporation in this circular.*

# ALTUS.

Altus Capital Limited  
21 Wing Wo Street  
Central, Hong Kong

5 March 2020

*To the Independent Board Committee and  
the Independent Shareholders*

Cosmopolitan International Holdings Limited  
11th Floor  
68 Yee Wo Street  
Causeway Bay  
Hong Kong

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO (I) CIDL DISPOSAL; AND (II) AMTD II ACQUISITION**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the CIDL Related Transactions comprising the CIDL Disposal and the AMTD II Acquisition. Details of the CIDL Related Transactions are set out in the “Letter from the Board” contained in the circular of the Company dated 5 March 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

#### **CIDL Disposal**

On 31 December 2019 (after trading hours of the Stock Exchange), the CIDL Seller as seller and the CIDL Purchaser as purchaser entered into the CIDL Disposal Agreement, pursuant to which the CIDL Seller conditionally agreed to dispose of and the CIDL Purchaser conditionally agreed to purchase the CIDL Share and the CIDL Loan at the CIDL Consideration.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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 US\$51,283,050, representing a price of US\$8.45 per AMTD Class A Share.

Completion of the AMTD II Acquisition is conditional upon, among others, the completion of the CIDL Disposal.

### IMPLICATIONS UNDER THE LISTING RULES

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

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

The AMTD Shares Vendor is deemed to be a connected person of the Company under Rule 14A.20 of the Listing Rules because it has entered into (i) the AMTD II Acquisition Agreement with the AMTD II Purchaser which is a wholly-owned subsidiary of the Company; and (ii) the AMTD I Acquisition Agreement with P&R Finance, a wholly-owned subsidiary of P&R which in turn is the immediate holding company of the Company and as such, the AMTD II Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the completion of the AMTD II Acquisition is conditional upon the completion of the CIDL Disposal, these two transactions are considered together and accordingly, the CIDL Related Transactions constitute connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The P&R Group and its associates (including the Regal Group) and the Directors, which together held and were entitled to exercise control over the voting rights in respect of 3,087,823,817 Cosmopolitan Shares, representing approximately 69.96% of all the Cosmopolitan Shares in issue as at the Latest Practicable Date, will abstain from voting at the EGM. As at the Latest Practicable Date, no other Shareholder (other than the P&R Group and its associates and the Directors) had an interest in the CIDL Related Transactions materially different from other Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising two independent non-executive Directors, namely Mr. LEE Choy Sang and Mr. David LI Ka Fai, has been established in relation to the CIDL Related Transactions, and to give advice and recommendation to the Independent Shareholders as to (i) whether the terms of the CIDL Disposal and the AMTD II Acquisition are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; (ii) whether the CIDL Disposal and the AMTD II Acquisition are in the ordinary and usual course of business of the Company, and are in the interests of the Company and its shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the EGM for the approval of the CIDL Disposal and the AMTD II Acquisition, taking into account the recommendation of the Independent Financial Adviser. Hon. Abraham SHEK Lai Him, who is an independent non-executive Director and also an independent non-executive director of Paliburg and the Regal REIT Manager, and Ms. Alice KAN Lai Kuen, who is an independent non-executive Director and also an independent non-executive director of Regal, are not members of the Independent Board Committee.

### THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the CIDL Disposal and the AMTD II Acquisition are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; (ii) whether the CIDL Disposal and the AMTD II Acquisition are in the ordinary and usual course of business of the Company, and are in the interests of the Company and its shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the EGM for the approval of the CIDL Disposal and the AMTD II Acquisition.

We have not acted as independent financial adviser or financial adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that the remuneration for our engagement to opine on the CIDL Related Transactions is at market level and not conditional upon successful passing of the resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the CIDL Disposal Agreement; (ii) the AMTD II Acquisition Agreement; (iii) the interim report of the Company for the six months ended 30 June 2019 (the **"2019 Interim Report"**); (iv) the annual report of the Company for the year ended 31 December 2018 (the **"2018 Annual Report"**); (v) the management accounts of the CIDL Group for the years ended 31 December 2017, 2018 and 2019; (vi) the prospectus of AMTD for the initial public offering of the ADSs on the New York Stock Exchange dated 2 August 2019 (the **"AMTD Prospectus"**); (vii) the results announcement of AMTD for the nine months ended 30 September 2019 (the **"AMTD 2019 Interim Results Announcement"**); (viii-1) the joint announcements dated 17 August 2018, 3 September 2018 and 30 September 2018 issued by the



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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, (viii-2) the joint announcement dated 20 September 2018 issued by the Relevant Group Companies in relation to the Second CIDL Subsidiary Loan Agreement, and (viii-3) the joint announcements dated 1 November 2019 and 20 December 2019 issued by the Relevant Group Companies in relation to the CIDL MOU; (ix) the circular of the Company dated 22 October 2018 in relation to the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement; (x) the joint announcement dated 16 January 2020 issued by the Relevant Group Companies in relation to the legal proceedings in respect of the Chengdu Fuhui Debts; (xi) the Second Joint Announcement; and (xii) other information as set out in the Circular.

We have relied on the statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (“**Management**”). We have assumed that all statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us were true, accurate, and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, information contained in the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

For the AMTD II Acquisition, our opinion in relation to AMTD is principally based on the public information, and we understand from the Management that the due diligence work conducted by the Company on AMTD is also on the same basis.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Management have been reasonably made after due and careful enquiry. When arriving at our opinion, we have reviewed all information as is necessary for such purpose. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

#### 1. Background information of the Group

##### 1.1 Principal business of the Group

The Group is principally engaged in property development and investment and other investments, which are mainly focused in the PRC, and investment in financial assets. The Group is currently focusing on two ongoing development projects in Chengdu, Sichuan Province and in Tianjin.

##### 1.2 Financial information of the Group

Set out below is a summary of the financial results of the Group for the two years ended 31 December 2017 and 2018 as extracted from the 2018 Annual Report and the six months ended 30 June 2018 and 2019 as extracted from the 2019 Interim Report.

	For the year ended 31 December		For the six months ended 30 June	
	2017	2018	2018	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	830.1	2,147.3	2,027.6	48.9
Gross profit	88.8	550.1	517.0	21.2
Profit/(loss) attributable to equity holders of the parent	13.7	201.9	238.7	(57.5)
Return on total assets	0.2%	4.4%		
Return on equity	1.0%	14.3%		

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	As at 31 December		As at
	2017	2018	30 June
	HK\$ million	HK\$ million	HK\$ million
	(Audited)	(Audited)	(Unaudited)
Total assets	5,855.3	4,638.6	4,741.2
Total liabilities	4,542.7	3,225.5	3,387.8
Net assets	1,312.6	1,413.1	1,353.4
Current assets	4,213.2	3,078.3	3,181.8
Current liabilities	2,248.3	904.0	1,050.3
Net current assets	1,964.9	2,174.3	2,131.5
Cash and bank balances	565.3	324.9	134.4

*Source: 2018 Annual Report and 2019 Interim Report*

*For the year ended 31 December 2018 vs the year ended 31 December 2017*

For the year ended 31 December 2018, the Group's revenue amounted to approximately HK\$2,147.3 million, representing an increase of approximately 158.7% as compared with that of approximately HK\$830.1 million in 2017, which was mainly due to the completed sales of the residential units in the development project in Tianjin in 2018.

The Group recorded a gross profit of approximately HK\$550.1 million for the year ended 31 December 2018, representing an increase of approximately 519.5% as compared with approximately HK\$88.8 million for the previous year. Such increase was primarily due to the fact that the revenue in 2017 was mainly contributed by the sale of units in the first and second stages of project in Chengdu while the revenue in 2018 was mainly contributed by the project in Tianjin.

The Group recorded profit attributable to the equity holders of the Company of approximately HK\$201.9 million for the year ended 31 December 2018, representing a substantial increase of approximately 1,373.7% as compared with that of approximately HK\$13.7 million in 2017. Such increase was mainly attributable to the increase in gross profit as discussed above. The increase in profit also led to the increase in return of total assets from approximately 0.2% to 4.4% and return of equity of approximately 1.0% to 14.3% for the year ended 31 December 2017 and 2018 respectively.

The Group's net assets remained relatively stable at approximately HK\$1,312.6 million and HK\$1,413.1 million as at 31 December 2017 and 2018 respectively.

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*For the six months ended 30 June 2019 vs the six months ended 30 June 2018*

For the six months ended 30 June 2019, the Group's revenue reduced to approximately HK\$48.9 million from approximately HK\$2,027.6 million for the corresponding period in 2018. The significant decrease in revenue was mainly due to the third stage of the development project in Chengdu, which is still under construction and profits from property sale of the units will only be recognised when the properties sold are handed over to the respective purchasers after completion.

The Group recorded a gross profit of approximately HK\$21.2 million for the six months ended 30 June 2019, representing a decrease of approximately 95.9% from approximately HK\$517.0 million for the six months ended 30 June 2018. The decrease was generally in line with the decrease in revenue as discussed above.

Loss attributable to the equity holders of the Company for the six months ended 30 June 2019 amounted to approximately HK\$57.5 million, while for the same period in 2018, the Group recorded profit attributable to the equity holders of the Company amounted to approximately HK\$238.7 million. Such change from a profit to a loss attributable to the equity holders of the Company was mainly due to (i) the decrease in revenue as discussed above; and (ii) the increase in finance costs.

The Group's net assets remained relatively stable at approximately HK\$1,413.1 million and HK\$1,353.4 million as at 31 December 2018 and 30 June 2019 respectively.

## **2. CIDL Disposal**

### ***2.1 Background information on the CIDL Group***

#### ***2.1.1 Principal business of the CIDL Group***

The CIDL Group comprised CIDL and its subsidiaries, including CIDL Subsidiary and Beijing Fuli<sup>1</sup>. The CIDL Group did not have any business operations during the past three years other than advancing of the Chengdu Fuhui Debts.

<sup>1</sup> Please refer to the section headed "2.4.3 Beijing Fuli" below for details on Beijing Fuli.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.1.2 Financial information of the CIDL Group

Set out below is a summary of the financial information of the CIDL Group (excluding Beijing Fuli) for the years ended 31 December 2017, 2018 and 2019, based on the management accounts of the CIDL Group.

	<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	—	—	—
(Loss)/profit before taxation	(22)	14,744	64,118
(Loss)/ profit after taxation	(22)	11,054	48,076

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
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 a summary of the financial information of the CIDL Group (including Beijing Fuli) for the years ended 31 December 2017, 2018 and 2019, based on the management accounts of the CIDL Group.

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

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

Source: CIDL Group's management accounts

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The CIDL Group recorded profit for the years ended 31 December 2018 and 2019, mainly due to the interest income arising from the Chengdu Fuhui Debts.

The increase in total liabilities of the CIDL Group for the year ended 31 December 2018 was mainly due to the increase in inter-company loans to finance the advance of the Chengdu Fuhui Debts. The increase in the total assets of the CIDL Group for the year ended 31 December 2018 was mainly due to the CIDL Subsidiary Deposit, the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility. The increase in total assets of the CIDL Group for the year ended 31 December 2019 was mainly due to the increase in interest receivable arising from the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility.

### ***2.2 Background of Possible JV Investment***

On 16 August 2018, the CIDL Subsidiary entered into the CIDL Subsidiary Deposit Agreement with Yuancheng Logistics and its controlling shareholder in relation to the payment for a deposit of RMB70.0 million for a possible investment in Yuancheng Logistics.

According to the circular of the Company dated 22 October 2018 in relation to the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement, Yuancheng Logistics was a leading logistics company in the PRC and had been ranked as one of the top 10 logistics enterprises in the PRC based on various sources of industry ranking. Its principal business activities were the provision of contract logistics and express delivery services and the development and operation of logistics parks in the PRC. At the time of signing the CIDL Subsidiary Deposit Agreement, the Directors considered that logistics business in the PRC was a stable business with good growth potential, and that Yuancheng Logistics was a sizable and long-established logistics group in the PRC with a strong market share.

Apart from its core property development and investment business, the Group has always been actively seeking various opportunities to diversify the scope of its investment, with a view to broaden the Group's asset and income base. The Group had endeavoured to diversify into the logistics services business in the PRC in 2016, although that business venture was ultimately discontinued. The Directors considered that the logistics parks under operation by Yuancheng Logistics could complement and create synergy with the property development business of the Group in the PRC by enhancing the presence and operation of the Group in the PRC and that the Possible JV Investment provided an opportunity for the Group to participate in the growing logistics business in the PRC, which could help to implement the business diversification objective of the Group. Accordingly, the Directors were then of the view that the Possible JV Investment, if materialised, would be in the interests of the Company and its shareholders.

On 31 August 2018, the CIDL Subsidiary entered into (i) the CIDL Subsidiary Deposit (Supplemental) Agreement to increase the amount of deposit in Yuancheng Logistics from RMB70.0 million to RMB170.0 million; and (ii) the CIDL Subsidiary Loan Agreement in relation to the provision of a secured loan facility of RMB100.0 million to Yuancheng Logistics for its working capital use. The loan facility and the interest accrued was originally due to be repaid by 30 September 2018. The CIDL Subsidiary subsequently agreed that the repayment date be extended to 20 November 2018. On 20 September 2018, the CIDL Subsidiary entered into the Second CIDL Subsidiary Loan Agreement with Yuancheng Logistics to provide a further RMB50.0 million secured loan facility,

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repayable by 20 November 2018, to support the working capital needs of Yuancheng Logistics. The loan facility of RMB100.0 million and RMB50.0 million were fully drawn by Yuancheng Logistics. The deposits and the loan amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the controlling shareholder of Yuancheng Logistics, guarantees provided by him and certain of his associates, and pledges over certain receivables of Yuancheng Logistics and certain associates of the controlling shareholder of Yuancheng Logistics.

No formal agreement on the Possible JV Investment has been reached between the parties, and Yuancheng Logistics and its controlling shareholder have not repaid nor returned any of the Chengdu Fuhui Debts to the CIDL Subsidiary.

On 1 November 2019, the CIDL Seller entered into the CIDL MOU in relation to the proposed disposal of the entire interest in the CIDL Group, with the aim to realise its investments in Chengdu Fuhui Debts. No definitive agreement in respect of the subject matter under the CIDL MOU had been entered into between the parties by the end of the exclusivity period of 15 December 2019, and the CIDL Seller had ceased the negotiations under the CIDL MOU. The Company has since then been actively exploring other opportunities for the recovery of its investments in Chengdu Fuhui Debts, which led to the entering into of the CIDL Disposal Agreement.

On 16 January 2020, three 民事起訴狀 (“**Civil Complaints**”\*) lodged by the CIDL Subsidiary as plaintiff against certain defendants, including Yuancheng Logistics and its controlling shareholder, on the ground of certain breaches relating to the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement, have been formally accepted by 四川省成都市中級人民法院 (Chengdu Intermediate Court of Sichuan Province\*). The alleged breaches include (i) breaches of undertaking given by Yuancheng Logistics and its controlling shareholder to the CIDL Subsidiary; and (ii) failure to repay the principal of the CIDL Subsidiary Loan Facility and Second CIDL Subsidiary Loan Facility, together with the interest accrued thereunder.

The CIDL Subsidiary has ceased negotiation in respect of the Possible JV Investment. As at the Latest Practicable Date, the legal proceedings for the Civil Complaints were still in progress.

### ***2.3 Reasons for and benefits of the CIDL Disposal***

At this stage, the Management is not in a position to foresee the outcome and duration of the settlement negotiation with the defendants of the Civil Complaints.

We have discussed with the Management and reviewed the written advice from the PRC legal adviser to the CIDL Subsidiary in relation to the legal proceedings. We noted that based on the review of 《中華人民共和國民事訴訟法》 (The Civil Procedure Law of the People’s Republic of China\*) by the PRC legal adviser, the first instance stage of civil proceedings in the PRC in general is to be

\* for translation purpose

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completed within six months after the plaintiff's complaints are formally accepted by the court, subject to the court's discretion on completion timeline extensions. The PRC legal adviser believes that the recent COVID-19 epidemic in China will likely prolong the process of the proceedings. Moreover, even if the first instance stage is completed, the plaintiffs or the defendants have the right to appeal to higher court and the second instance stage will then commence, which may further prolong the entire process of the legal proceedings and the duration will be subject to the court judgement of the second instance.

In case the controlling shareholder of Yuancheng Logistics is required to liquidate the security and pledges, including the equity interest of certain PRC companies associated with the controlling shareholder of Yuancheng Logistics, and the receivables of Yuancheng Logistics and certain associates of the controlling shareholder of Yuancheng Logistics, or cause the pledged companies to carry out any scheme of arrangement with their creditors for settlement of the Chengdu Fuhui Debts, there will be more uncertainty as to the time required to execute the above liquidation or scheme of arrangement and hence, repayment of the Chengdu Fuhui Debts. According to the announcement of the Company dated 16 January 2020, one of the pledged companies for the Chengdu Fuhui Debts has applied to the court for a scheme of arrangement with its creditors and such application has been accepted by the aforesaid court and a manager has been appointed by the aforesaid court. Again we have discussed with the Management and reviewed the written advice from the PRC legal adviser to the CIDL Subsidiary in relation to the scheme of arrangement. We noted that based on the review of 《中華人民共和國企業破產法》 (The Enterprise Bankruptcy Law of the People's Republic of China\*) by the PRC legal adviser, after the court has approved the scheme of arrangement on application of a company, the company or its manager appointed by the court will need to formulate a proposed scheme of arrangement for the company's creditors' consideration and approval. Therefore, the timing of the settlement process will be subject to the scheme of arrangement proposal and negotiations among all creditors of the company. Moreover, due to the recent outbreak of the COVID-19 epidemic which affects the daily operations of every walks of life in China, including the judicial department, it is not feasible for the Management and/or the PRC legal adviser to reasonably estimate the duration to carry out and complete the procedures in the PRC for the scheme of arrangement.

Considering that (i) there exists uncertainties in respect of the outcome and duration of the settlement negotiation process; (ii) there exists uncertainties in respect of the timing and recovery amount from the liquidation of the security and pledges (if demanded by the CIDL Subsidiary) or the pledged companies' scheme of arrangement with creditors; and (iii) the holding of the Chengdu Fuhui Debts is not related to the core business activity of the Group, the Management is of the view, and we concur, that it would be commercially sensible for the Group to divest its entire interest in the CIDL Group, which does not have any business operations other than advancing of the Chengdu Fuhui Debts, and monetise the funds tied up in the Chengdu Fuhui Debts for other investments as soon as possible. After the cessation of the negotiation to attempt to dispose of its interest in CIDL in December 2019, the CIDL Disposal provides another chance for the Group to monetise this investment, which can then be deployed towards the Group's investment in AMTD. For the reasons for and benefits of the proposed investment in AMTD, please refer to the section headed "3.2 Reasons for and benefits of the AMTD II Acquisition" below.

\* for translation purpose



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Taking into account the above, we are of the view that the CIDL Disposal is in the ordinary and usual course of business of the Company, and is in the interests of the Company and its shareholders as a whole.

### *2.4 Principal terms of the CIDL Disposal Agreement*

We summarise below the principal terms of the CIDL Disposal Agreement. For more details, please refer to the “Letter from the Board” of the Circular.

Date of the Agreement	31 December 2019
Assets to be disposed of	<p>a) The entire issued share capital of CIDL (i.e. the CIDL Share); and</p> <p>b) all loans or other debts owed to the CIDL Seller by CIDL on the CIDL Completion Date (i.e. the CIDL Loan).</p>

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

If the CIDL Seller procures CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of the Company, 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 Company, 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.

CIDL Consideration	HK\$400.0 million, irrespective of Beijing Fuli to be included or excluded from the CIDL Group under the CIDL Disposal
Payment terms	<p>The CIDL Consideration is payable as follows:</p> <p>(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</p> <p>(b) a sum of HK\$390.0 million shall be paid by the CIDL Purchaser in cash on the CIDL Completion Date.</p>

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The CIDL Seller will need to return the deposit of HK\$10.0 million to the CIDL Purchaser if the CIDL Disposal cannot be completed due to reasons attributable to the CIDL Seller, including failure to obtain Independent Shareholders' approval in the EGM.

### 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.

When considering the reasonableness of the terms of the CIDL Disposal Agreement, we have taken into account the following factors:

#### *2.4.1 CIDL Consideration*

The CIDL Consideration in the sum of HK\$400.0 million was negotiated between the parties and determined with reference to (i) the Chengdu Fuhui Debts, being 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 the total interest accrued thereon up to 31 December 2019; and (ii) the related tax payable.

Considering the CIDL Group does not have any business operations other than advancing of the Chengdu Fuhui Debts and the CIDL Group does not record any profit or cash flow from business operations and valuation as a business entity is not applicable to the CIDL Group, we are of the view that it is reasonable to use the outstanding Chengdu Fuhui Debts and the related tax payable, which basically represents the net asset value of the CIDL Group (excluding the CIDL Loan), as a basis in determining the CIDL Consideration. Based on the management accounts of the CIDL Group, (i) the outstanding Chengdu Fuhui Debts amounted to approximately HK\$434.3 million (equivalent to RMB389.4 million); and (ii) the related tax payable amounted to approximately HK\$19.3 million (equivalent to RMB17.3 million) as at 31 December 2019. The net amount of (i) and (ii) is approximately HK\$415.1 million (equivalent to RMB372.1 million), which is close to the sum of (a) the net assets of the CIDL Group of approximately HK\$25.3 million (equivalent to RMB22.7 million); and (b) the CIDL Loan of approximately HK\$389.3 million (equivalent to RMB349.0 million) as at 31 December 2019, which amounted to approximately HK\$414.6 million (equivalent to RMB371.7 million). We have assessed the total interest accrued from the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility up to 31 December 2019 and it is in line with the amount calculated by the Management.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Management is of the view, and we concur, that it is fair and reasonable for the CIDL Consideration to be set at a slight discount of the sum of the net asset value of the CIDL Group and the amount of the CIDL Loan considering (i) there exists uncertainties on the outcome and duration of the settlement negotiation process between CIDL Subsidiary, Yuancheng Logistics and the controlling shareholder of Yuancheng Logistics; and (ii) there exists uncertainties in respect of the timing and recovery amount from the liquidation of the security and pledges of the Chengdu Fuhui Debts (if demanded by CIDL Subsidiary) or the pledged companies' scheme of arrangement with creditors.

Assuming the CIDL Disposal was completed on 31 December 2019, the Group's return from (i) the CIDL Subsidiary Deposit of approximately HK\$189.6 million; and (ii) the total principal amount of the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility of approximately HK\$167.3 million is approximately 9% per annum. Such return is acceptable as compared to (i) the return of total assets of the Group of approximately 0.2% and 4.4%; and (ii) the return of equity of the Group of approximately 1.0% and 14.3% for the years ended 31 December 2017 and 2018 respectively.

Based on the above, we are of the view that the amount of the CIDL Consideration is on normal commercial terms, and is fair and reasonable.

### *2.4.2 Costs reimbursement*

The CIDL Seller undertakes to the CIDL Purchaser that it will reimburse the costs and expenses reasonably and properly incurred by 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.

We have reviewed the CIDL Disposal Agreement and noted that the costs reimbursement is conditional on (i) reimbursement request being made to the CIDL Seller together with reasonable written evidence of the relevant costs; and (ii) CIDL Purchaser appointing parties designated by the CIDL Seller to be the sole and exclusive collection agent to collect the amounts receivable. We also noted that pursuant to the CIDL Disposal Agreement, the CIDL Seller is not obligated to indemnify or compensate the CIDL Purchaser for any losses incurred by the CIDL Purchaser by reason of any failure in collecting the Chengdu Fuhui Debts. Moreover, the additional costs for reimbursement with a cap of HK\$5.0 million only represent approximately 1% of the CIDL Consideration of HK\$400.0 million, and therefore, it will not have material impact to the return of the CIDL Disposal of approximately 9% per annum as discussed under the section headed "2.4.1 CIDL Consideration" above. Based on the above and the fact that the Group will have control over costs reimbursement, we are of the view that the terms on costs reimbursement are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *2.4.3 Beijing Fuli*

According to the CIDL Disposal Agreement, the CIDL Seller may (but is not obliged to) procure CIDL to transfer all issued share or paid-up equity capital of Beijing Fuli to a wholly-owned subsidiary of the Company.

We understand from the Management that Beijing Fuli is an investment holding company, and its principal assets are investment in CIDL Subsidiary and inter-company receivables which are unrelated to the Chengdu Fuhui Debts.

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 the Company. 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.

Unless the CIDL Seller decides to procure CIDL to transfer all the issued share or paid-up equity capital of Beijing Fuli to a wholly-owned subsidiary of the Group before the completion of the CIDL Disposal, the inter-company receivables due from the Group to Beijing Fuli will be written-off or transferred to the Group before the completion of the CIDL Disposal and Beijing Fuli will become a shell special purpose vehicle with its investment in CIDL Subsidiary remaining as its principal asset. As a result, the net asset value of the CIDL Group will be substantially the same regardless of whether Beijing Fuli will be excluded from the CIDL Group or not. The net asset value of the CIDL Group as at the date of the CIDL Disposal Agreement (including the CIDL Loan and the total interest accrued (net of tax provision) on the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility up to 31 December 2019) amounted to approximately RMB371.7 million (equivalent to approximately HK\$414.6 million) if Beijing Fuli is excluded from the CIDL Group, and approximately RMB372.2 million (equivalent to approximately HK\$415.2 million) if Beijing Fuli is included in the CIDL Group. Therefore, whether the CIDL Seller will or will not procure CIDL to transfer Beijing Fuli to the Group is not expected to have any impact to the CIDL Consideration.

Based on the above, we are of the view that the terms in relation to the option of CIDL Seller to keep or transfer Beijing Fuli is on normal commercial terms, and is fair and reasonable.

### *2.5 Possible financial effects as a result of the CIDL Disposal*

Upon completion of the CIDL Disposal, each member of the CIDL Group (including Beijing Fuli in case its issued share or paid-up capital is not procured to be transferred to a wholly-owned subsidiary of the Company) will cease to be a subsidiary of the Company, and the Company will cease to have any interest in the CIDL Group. The financial statements of the CIDL Group will no longer be consolidated into the consolidated financial statements of the Company following the CIDL Completion Date.

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If the CIDL Seller procures CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of the Company, it was preliminarily estimated that the Group would record a loss before tax and non-controlling interests 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 Group) and the total 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 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 the Company, it was preliminarily estimated that the 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 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 approximately 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 the Company 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Group's net assets as the release of a loss in the exchange reserve will not have an effect on the Group's net assets.

As discussed under the section headed "2.4.1 CIDL Consideration" and for the reasons and benefits of the CIDL Disposal as stated in the section headed "2.3 Reasons for and benefits of the CIDL Disposal" above, notwithstanding that there will be a possible expected loss before tax and non-controlling interests of approximately HK\$16.0 million if Beijing Fuli is excluded from the CIDL Group, and approximately HK\$71.9 million if Beijing Fuli is included in the CIDL Group arising from the CIDL Disposal, we are of the view that the reasons for and benefits of the CIDL Disposal outweigh the one-off loss to be recognised irrespective of the size of the loss and the CIDL Consideration is fair and reasonable.

### **2.6 Section summary**

The Group has always been actively seeking various opportunities to diversify the scope of its investment, with a view to broadening the Group's asset and income base. As discussed under the section headed "2.3 Reasons for and benefits of the CIDL Disposal" above, it is uncertain as to the amount and timing regarding the collection of the funds tied up in the Chengdu Fuhui Debts. The CIDL Disposal provides an opportunity for the Group to monetise the funds tied up in the Chengdu Fuhui Debts for deployment in the acquisition of AMTD Class A Shares which could be converted into tradable ADSs (subject to lock-up period as further discussed under section 3.3 below), which is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

## **3 AMTD II Acquisition**

### **3.1 Background information of AMTD**

#### **3.1.1 Principal business of AMTD**

AMTD is a Hong Kong-headquartered comprehensive financial institution principally engaged in investment banking, asset management, and strategic investment. Their investment banking segment is involved in equity underwriting, debt underwriting, advisory (on credit rating, financing, and mergers and acquisitions transactions), securities brokerage, institutional sales and distribution, and research, among others. Their asset management segment provides professional investment management and advisory services primarily to corporate and other institutional clients. Their strategic investment segment engages in long-term investments focusing on Asia's financial and new economy sectors.

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 rights. 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. Each ADS, which is tradable on the New York Stock Exchange ("NYSE"), represents one AMTD Class A Share.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.1.2 Financial information of AMTD

Set out below is a summary of the financial results of AMTD for the years ended 31 December 2017 and 2018 as extracted from the AMTD Prospectus, and the nine months ended 30 September 2018 and 2019 as extracted from the AMTD 2019 Interim Results Announcement.

	For the year ended 31 December		For the nine months ended 30 September	
	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	1,033,164	723,226	(143,040)	1,042,008
Profit/(loss) before taxation	808,585	608,965	(242,218)	881,073
Profit/(loss) after taxation	673,372	525,126	(190,624)	741,343
Net profit margin	65.2%	72.6%	N/A	71.1%

	As at 31 December		As at 30 September
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)
Total assets	6,041,617	7,107,189	7,086,735
Total liabilities	3,372,341	3,912,787	1,130,195
Net assets	2,669,276	3,194,402	5,956,540

Source: AMTD Prospectus and AMTD 2019 Interim Results Announcement

#### For the year ended 31 December 2018 vs the year ended 31 December 2017

For the year ended 31 December 2018, AMTD's revenue amounted to approximately HK\$723.2 million, representing a decrease of approximately 30.0% as compared with that of approximately HK\$1,033.2 million in 2017. Such drop was primarily due to a decrease in net fair value changes on financial assets at fair value through profit or loss under strategic investment business, partially offset by an increase in fee and commission income.

AMTD recorded profit after taxation of approximately HK\$525.1 million for the year ended 31 December 2018, representing a decrease of approximately 22.0% as compared to that of approximately HK\$673.4 million in 2017. Such decrease was mainly attributable to the decline in revenue as discussed above, partially offset by the drop in operating expenses, staff costs and finance costs.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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AMTD's net assets increased by approximately 19.7% from approximately HK\$2,669.3 million as at 31 December 2017 to approximately HK\$3,194.4 million as at 31 December 2018, which was mainly attributable to the increase in financial assets at fair value through profit or loss arising from the appreciation in the existing investments and additional investments made during 2018. The financial assets held by AMTD mainly included listed and unlisted equity shares, and unlisted debt securities.

*For the nine months ended 30 September 2019 vs nine months ended 30 September 2018*

For the nine months ended 30 September 2019, AMTD's revenue amounted to approximately HK\$1,042.0 million, as compared to a negative amount of approximately HK\$143.0 million for the corresponding period in 2018. This is primarily due to a significant increase in fee and commission income and a shift in net fair value change on financial assets at fair value through profit or loss from a negative position to a positive position.

AMTD recorded profit after taxation of approximately HK\$741.3 million for the nine months ended 30 September 2019, compared to a loss of approximately HK\$190.6 million for the corresponding period in 2018, which was in line with the change in revenue from a negative position to a positive position as discussed above.

As at 30 September 2019, AMTD's net assets increased to approximately HK\$5,956.5 million as compared to that of approximately HK\$3,194.4 million as at 31 December 2018, which was mainly due to the initial public offering of ADSs ("**AMTD IPO**") on NYSE in August 2019 and the issuance of ordinary shares and exercise of warrant in early 2019 prior to AMTD IPO.

### ***3.2 Reasons for and benefits of the AMTD II Acquisition***

#### ***3.2.1 Market leader***

AMTD is a leading Hong Kong-headquartered comprehensive financial institution principally engaged in investment banking, asset management, and strategic investment, with CK Hutchison Holdings Limited as the founder and then shareholder of AMTD Group Company Limited ("**AMTD Group**"), the controlling shareholder of AMTD.

Listed on NYSE with the stock ticker "HKIB", AMTD is the first Hong Kong homegrown financial institution and the first Asia independent investment bank to list in the United States of America (the "U.S."). AMTD has a market capitalisation of approximately US\$2.1 billion as at the Latest Practicable Date, following a successful AMTD IPO which raised US\$200 million in August 2019.

According to the AMTD Prospectus, AMTD is the largest independent investment bank in Asia as measured by both the number and the aggregate offering size of Hong Kong and U.S. initial public offerings ("**IPO(s)**") completed in each of 2018 and the first quarter of 2019. AMTD is also the largest independent asset management firm in Asia serving PRC regional banks and new economy companies as measured by assets under management of approximately US\$2.6 billion as at 31 March 2019.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *3.2.2 Strong historical financial performance*

Based on the AMTD Prospectus and the AMTD 2019 Interim Results Announcement, AMTD achieved strong core revenue growth during recent years. AMTD's core revenue (being revenue excluding mark-to-market impact) amounted to approximately HK\$348.5 million, HK\$466.8 million, HK\$345.9 million and HK\$522.6 million for the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2018 and 2019 respectively, representing a year-on-year/period-on-period growth of approximately 33.9% and 51.1% for the year ended 31 December 2018 and the nine months ended 30 September 2019 respectively.

In addition, AMTD achieved consistently high profitability with net profit margins of approximately 65.2%, 72.6% and 71.1% for the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019 respectively as described under the section headed "3.1.2 Financial information of AMTD" above.

Given our opinion in relation to AMTD is principally based on the public information, we can only assess the financial performance of AMTD based on publicly available historical financial figures. Considering AMTD is principally engaged in the provision of investment services, its financial performance is relatively volatile as compared with other industries. As such, Shareholders should note that the historical financial figures of AMTD may not be indicative of its future financial performance. However, as at the Latest Practicable Date, we are not aware of any announcements made by AMTD with regard to any signs of deterioration of its financial performance in the short to medium term.

### *3.2.3 Promising outlook of Hong Kong financial services industry*

Hong Kong has positioned itself as one of the world's leading financial centres, which was contributed by the competitive low-rate tax regime, stringent and transparent regulatory systems, and a free flow of capital and information. The financial services industry plays a crucial role in Hong Kong's economy. According to Census and Statistics Department (Hong Kong), the added value of the financial services industry amounted to approximately HK\$532.8 billion, representing 19.7% of Hong Kong's gross domestic product in 2018.

Despite global geopolitical and economic uncertainties, capital markets and asset management sectors have experienced growth among all sectors in the financial services industry in 2019. According to the data published by the Stock Exchange, the total funds raised by IPO in Hong Kong amounted to approximately HK\$312.9 billion in 2019, marking an increase of approximately 8.6% from the previous year and claiming the crown of the world's largest listings market for the sixth time in ten years.

For short to medium term, as affected by the recent COVID-19 epidemic, we expect global economies (including Hong Kong) will experience slowdowns. We also expect that the Hong Kong stock market will continue to be volatile due to the ongoing social unrest in Hong Kong and the outbreak of COVID-19. As a result, these uncertainties and volatilities have also caused potential IPO candidates and listed companies to take a more prudent and conservative approach both in seeking a listing in Hong Kong and in planning for any other corporate exercise, which will negatively affect the Hong Kong financial services industry.

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Although the economic performance of Hong Kong had already been and will continue to be hit by the above factors, it may be relevant to note that Hong Kong did show its resilience to the adverse effects of SARS in 2003 and the global economic crisis in 2008.

It is expected that local financial market would recover or rebound when the coronavirus epidemic is successfully contained. In view of the factors discussed above, AMTD, with its global network, expertise and financial capability, is expected to be able to persevere through such tumultuous period.

### *3.2.4 Strong commitment and clientele in technology and Fintech sector*

AMTD actively promotes the development of the technology and financial technology (“**Fintech**”) sector and is one of the most active participants and promoters of the new economy sector, which is expected to have high growth potential. AMTD has successfully assisted many Chinese leading technology companies and financial institutions to tap on the Hong Kong and the U.S.’s capital markets such as Xiaomi Corporation and Meituan Dianping, the two largest IPOs in the technology sector globally in the past four years. AMTD also acted as the sole strategic partner of Hong Kong Fintech Week 2018 and co-hosted the 2017 and 2018 Singapore Fintech Festival, the world’s largest financial technology conference, together with several other top-notch global enterprises.

In addition, AMTD Group (the controlling shareholder of AMTD) and Xiaomi Corporation have announced that their jointly established entity, Insight Fintech HK Limited, successfully secured a virtual banking license granted by the Hong Kong Monetary Authority (“**HKMA**”) in May 2019, which was one of the eight licenses granted by HKMA among 29 applications.

The Hong Kong government has been promoting the development of Fintech in recent years. In particular, HKMA has implemented seven initiatives such as the launch of the Faster Payment System, where users can make payments using just mobile phone numbers or email addresses. The other initiatives include building the framework for open application programming interfaces and strengthening the Fintech Supervisory Sandbox, both aiming to encourage innovation and provide support for implementation. Besides the HKMA, the Securities and Futures Commission (the “**SFC**”) has established the SFC Fintech Contact Point to help businesses understand the framework and regulatory environment in Hong Kong in relation to Fintech. The SFC is also looking at developing a new regulatory framework for crypto funds and crypto exchanges in Hong Kong. The Hong Kong government also has a list of funding schemes available, aiming to give universities, companies or organisations a boost to develop their Fintech products. With the support of the Hong Kong government, we are of the view that the development of Fintech in Hong Kong will experience a strong growth in the future. In view of the above, we believe AMTD, leveraging on AMTD Group’s investments in the Fintech sector and being one of the most active participants and promoters in such area, should benefit from this fast-growing trend.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *3.2.5 Strategic co-operative relationship with AMTD*

The Company has been actively seeking opportunities that can expand and diversify its investment portfolio. The proposed investment in AMTD represents a long term, strategic investment in a listed financial services platform which is well-positioned to capitalise on merchant banking opportunities emanating from the Asia Pacific region.

According to the AMTD Prospectus, one of the competitive strengths of AMTD is that AMTD strives to connect and fulfil the needs and interests of multiple stakeholders, including but not limited to its clients, shareholders, business partners, and investee companies, to form an inter-connected network, which enables AMTD and its stakeholders to explore business collaboration opportunities among themselves. AMTD will provide financial solutions or additional resources needed to facilitate such collaboration, aiming to create greater synergies, stronger connections and economic benefits for AMTD and all its stakeholders, including its shareholders. Notwithstanding that (i) the Company will only have minority interest in AMTD; (ii) the AMTD II Acquisition Agreement does not entitle the Company to nominate or appoint any directors to the board of AMTD; (iii) the Company will not be involved in the day-to-day operation of AMTD; (iv) there is no legally binding agreement between the Company and AMTD in relation to the introduction of potential investment opportunities to the Group, the Directors are of the view, and we concur, that after completion of the AMTD II Acquisition, the Group will be able to leverage on AMTD's extensive business network, strong relationships with clients and its industry knowledge and experience to explore and capture new business or investment opportunities in the global capital markets with the aim to facilitate further expansion and diversification of the Company's investment portfolio and further enhance shareholders' value of the Company. Furthermore, P&R, being the controlling shareholder of the Company, was interested in 5,674,000 AMTD Class A Shares as at the Latest Practicable Date and has proposed to acquire additional 9,500,000 AMTD Class A Shares through P&R Finance under the AMTD III Acquisition. We are of the view that the AMTD II Acquisition is in line with the investment strategy of P&R to develop a long-term and strategic co-operative relationship with AMTD.

### *3.2.6 No additional fund raising required*

As discussed under the section headed "2.3 Reasons for and benefits of the CIDL Disposal" above, the proceeds from the CIDL Disposal will be deployed towards the Group's investment in AMTD. The completion of the AMTD II Acquisition is conditional upon the completion of the CIDL Disposal. As such, no additional fund raising is required by the Group for the AMTD II Acquisition and the Group can convert its interests in the non-tradable Chengdu Fuhui Debts to AMTD Class A Shares which could be converted into tradable ADSs (subject to the lock-up period as further discussed in section 3.3 below). On the other hand, completion of the CIDL Disposal is not conditional upon completion of the AMTD II Acquisition. We understand from the Management that in the event that CIDL Disposal is completed whilst the AMTD II Acquisition could not be completed for whatever reasons, the CIDL Consideration to be received by the Group will be deployed for general working capital purpose.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Upon completion of the AMTD II Acquisition, the Group will be interested in 6,069,000 AMTD Class A Shares. As in most cases with minority shareholders in investments, there is an inherent risk of being called to support fund raisings by investee companies which, if not subscribing their pro rata share, may lead to possible dilution in their investment interests. We noted that (i) the Group's overall cash position was approximately HK\$565.3 million, HK\$324.9 million and HK\$134.4 million as at 31 December 2017 and 2018 and as at 30 June 2019; and (ii) AMTD had raised substantial amount of funds recently for their business operations. Should AMTD require its shareholders to contribute funds in the future, the Group may consider subscribing accordingly in order to avoid being diluted. Nonetheless, as at the Latest Practicable Date, we are not aware of any proposed fund raising plans announced by AMTD that would involve funding from its existing shareholders.

### *3.2.7 Section summary*

Based on public information in relation to AMTD and having considered (i) the strong business performance and market-leading position of AMTD; (ii) strong core revenue growth and high profitability of AMTD during recent years; (iii) the promising prospect of the financial services industry in Hong Kong; (iv) AMTD's strong commitment and clientele in the fast-growing Fintech sector, leveraging on AMTD Group's significant investments in such sector; (v) the Group's strategic co-operative relationship with AMTD; and (vi) no additional fund raising is required for making the AMTD II Acquisition, we are of the view that the AMTD II Acquisition is in the ordinary and usual course of business, and in the interests of the Company and its shareholders as a whole.

### **3.3 Principal terms of the AMTD II Acquisition Agreement**

We summarise below the principal terms of the AMTD II Acquisition Agreement. For further details, please refer to the "Letter from the Board" of the Circular.

Assets to be acquired	6,069,000 AMTD Class A Shares, representing approximately (i) 2.5% of the total issued share capital of AMTD, (ii) 0.2% of the total voting power represented by the total issued share capital of AMTD; and (iii) 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.  AMTD will not become a subsidiary of the Company and its financial statements will not be consolidated into that of the Company upon completion of the AMTD II Acquisition.
Consideration	The AMTD Shares Acquisition Price is US\$8.45 (equivalent to approximately HK\$65.91) per AMTD Class A Share. 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 shall be made settled in cash upon completion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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 the 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 the 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.

### 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.

It is noted that there is no provision in the AMTD II Acquisition Agreement under which (i) the AMTD II Purchaser will be entitled to nominate or appoint any director to the board of AMTD and (ii) the AMTD II Purchaser or Cosmopolitan will be involved in the day-to-day operation of AMTD.

When considering the reasonableness of the terms of the AMTD II Acquisition Agreement, we have taken into account the following factors:

#### *3.3.1 Identical terms to the AMTD I Acquisition and AMTD III Acquisition*

According to the First Joint Announcement, on 31 December 2019, P&R Finance, a wholly-owned subsidiary of P&R, which in turn is the immediate holding company of the Company, entered into the AMTD I Acquisition Agreement to acquire 5,674,000 AMTD Class A Shares. Completion of the AMTD I Acquisition took place on 10 January 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Second Joint Announcement, on 24 January 2020, P&R Finance, entered into the AMTD III Acquisition Agreement to acquire 9,500,000 AMTD Class A Shares.

Based on the First Joint Announcement and the Second Joint Announcement, the consideration for the AMTD I Acquisition and the AMTD III Acquisition is also based on the AMTD Shares Acquisition Price of US\$8.45, which is identical to the AMTD II Acquisition. We have also compared the other principal terms of the AMTD I Acquisition, the AMTD II Acquisition and the AMTD III Acquisition, including payment terms, undertaking by the purchaser and lock-up period in relation to transfer of AMTD Class A Shares, and noted that the terms are identical.

Based on the above, we are of the view that the Company is not disadvantaged in relation to the acquisition of AMTD Class A Shares, which is fair and reasonable to the Company and its shareholders.

### *3.3.2 Consideration*

The total consideration for the AMTD II Acquisition is US\$51,283,050 (equivalent to approximately HK\$400.0 million), which is based on the AMTD Shares Acquisition Price of US\$8.45 (equivalent to approximately HK\$65.91) per AMTD Class A Share. Pursuant to the AMTD II Acquisition Agreement, after the lock-up period of 180 days, the AMTD II Shares can be converted to ADSs after the AMTD II Purchaser providing written request to AMTD.

#### *3.3.2.1 AMTD Shares Acquisition Price*

The acquisition price of US\$8.45 per AMTD Class A Share 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. We note that AMTD Shares Acquisition Price represents:

- (a) a discount of approximately 4.6% to the closing price of US\$8.86 per ADS as quoted on the NYSE on 31 December 2019;
- (b) a discount of approximately 3.1% to the average of the closing prices of US\$8.72 per ADS as quoted on the NYSE for the five trading days up to and including 31 December 2019;
- (c) a discount of approximately 2.5% to the average of the closing prices of US\$8.67 per ADS as quoted on the NYSE for the ten trading days up to and including 31 December 2019;
- (d) a discount of approximately 0.6% to the closing price of US\$8.50 per ADS as quoted on the NYSE on the Latest Practicable Date; and
- (e) a premium of approximately 0.8% over the offer price of US\$8.38 per ADS at the time of AMTD's IPO.

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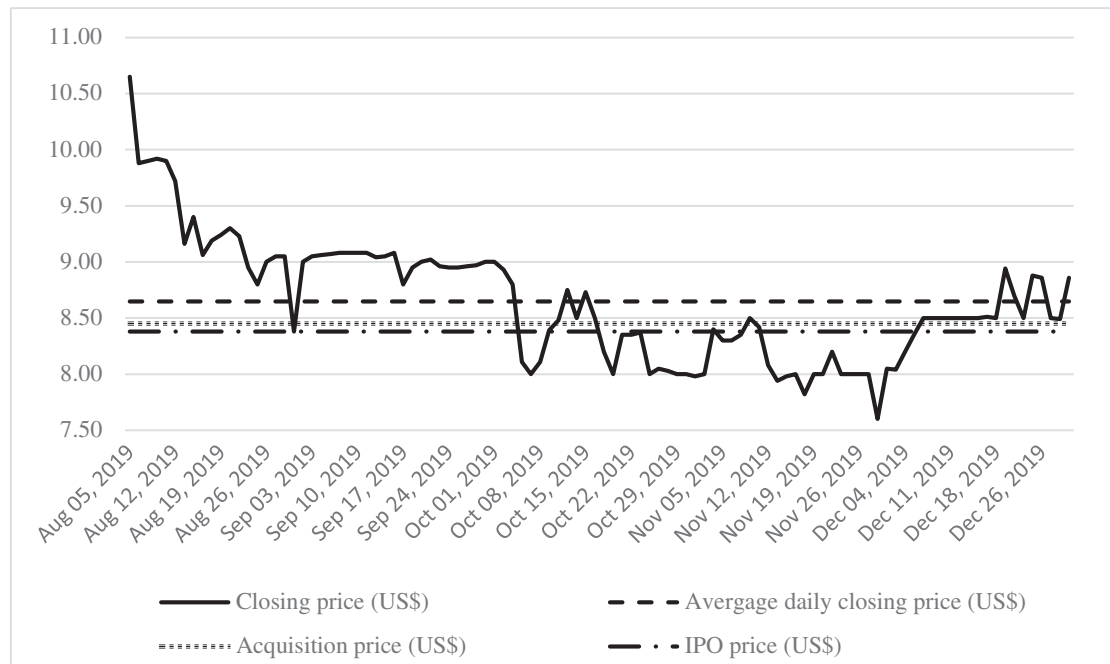
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As discussed under the paragraph headed “3.1.1 Principal business of AMTD” above, we noted that AMTD Class A Shares and AMTD Class B Shares have different voting rights. Considering (i) the assets to be acquired under the AMTD II Acquisition are AMTD Class A Shares; (ii) each ADS represents one AMTD Class A Share and only ADSs are tradable securities of AMTD; and (iii) the AMTD Class A Shares purchased under the AMTD II Acquisition can be converted to ADSs, we are of the view that it is reasonable to use ADS as a reference in our analysis on the AMTD II Acquisition. The different voting rights between AMTD Class A Shares and AMTD Class B Shares do not affect our analysis.

### 3.3.2.2 Analysis of movements in AMTD Share price

We have reviewed the movements in closing price of the ADSs during the period from 5 August 2019, being the date of AMTD IPO on the NYSE, to 31 December 2019, being the date of the AMTD II Acquisition Agreement (the “**Review Period**”).



Source: NYSE website (<https://www.nyse.com/quote/XNYS:HKIB>)

During the Review Period, the lowest closing price per ADS was US\$7.60 recorded on 29 November 2019, while the highest closing price per ADS was US\$10.65 recorded on 5 August 2019, being the date of AMTD IPO on the NYSE. We did not note any particular public information in relation to the fluctuation of the stock price on these two dates. The average daily closing price per ADS during the Review Period was US\$8.65. The AMTD Shares Acquisition Price is within the aforesaid range and at a discount of approximately 2.31% to the daily average closing price of ADS during the Review Period.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.3.2.3 Market comparable analysis

As a reference to the relative valuation of AMTD based on the AMTD Shares Acquisition Price, we have also performed an analysis by comparing the implied price-to-earnings ratio underlying the AMTD II Acquisition Agreement (the “**Implied P/E Ratio**”) and the P/E ratios of the comparable companies (the “**Comparables**”).

The Implied P/E Ratio is calculated based on (i) 6,069,000 AMTD Class A Shares, representing approximately 2.5% of the total issued share capital of AMTD as at the Latest Practicable Date, to be acquired at the consideration of US\$51,283,050 (equivalent to approximately HK\$400.0 million); and (ii) AMTD’s profit after taxation of approximately HK\$525.1 million for the year ended 31 December 2018. The Implied P/E Ratio is approximately 30.5 times.

We have, on a best effort basis, identified six Comparables based on the following criteria: (i) they are listed in the United States (either NYSE or NASDAQ), which is the same country as where AMTD is listed; (ii) they also belong to the financial sector and their principal business is providing investment services, which is the same business nature as AMTD; (iii) their revenue for the latest financial year was between US\$50.0 million and US\$400.0 million (equivalent to approximately HK\$388.5 million and HK\$3,108.0 million respectively); and (iv) their net profit for the latest financial year was between US\$20.0 million and US\$110.0 million (equivalent to approximately HK\$155.4 million and HK\$854.7 million respectively). We consider revenue and net profit are the two most representative parameters in reflecting the operational performance of service companies. The range of revenue and net profit were set with reference to the financial performance of AMTD, such that the revenue and net profit of AMTD for its latest financial year are within range.

We believed the list of Comparables is exhaustive and is sufficient for us to form a view on the fairness and reasonableness of the AMTD Shares Acquisition Price. Details of the Comparables are summarised below:

	Company	Stock code	Revenue <sup>1</sup>	Revenue growth <sup>2</sup>	Net profit <sup>1</sup>	P/E ratio <sup>3</sup>	Principal activities
	AMTD	NYSE:HKIB	US\$93.1 million	33.9%	US\$67.6 million	30.5x (Implied P/E Ratio)	A firm principally engaged in investment banking, asset management, and strategic investment.
1.	AssetMark Financial Holdings Inc (“AssetMark”)	NYSE:AMK	US\$363.6 million	23.1%	US\$37.4 million	58.9x	A provider of wealth management and technology solutions including an end-to-end experience from initial conversations to ongoing financial planning discussions
2.	Greenhill & Co Inc	NYSE:GHL	US\$352.0 million	47.0%	US\$39.2 million	11.8x	A provider of financial and strategic advice on domestic and cross-border mergers and acquisitions, divestitures, restructurings, financings, capital raising and other transactions



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Company	Stock code	Revenue <sup>1</sup>	Revenue growth <sup>2</sup>	Net profit <sup>1</sup>	P/E ratio <sup>3</sup>	Principal activities
	AMTD	NYSE:HKIB	US\$93.1 million	33.9%	US\$67.6 million	30.5x (Implied P/E Ratio)	A firm principally engaged in investment banking, asset management, and strategic investment.
3.	Hamilton Lane Inc	NASDAQ:HLNE	US\$252.2 million	3.3%	US\$99.0 million	35.2x	A global private markets investment solutions provider working with its clients to conceive, structure, build out, manage and monitor portfolios of private markets funds and direct investments
4.	Manning & Napier Inc	NYSE:MN	US\$161.3 million	(19.9)%	US\$23.0 million	7.0x	An independent investment management company providing a range of investment solutions through separately managed accounts, mutual funds and collective investment trust funds, as well as a range of consultative services
5.	Westwood Holdings Group Inc	NYSE:WHG	US\$122.3 million	(8.3)%	US\$26.8 million	9.8x	A firm providing fiduciary and investment services to high net worth individuals and families, non-profit endowments and foundations, public and private retirement plans and individual retirement accounts
6.	WisdomTree Investments Inc	NASDAQ:WETF	US\$274.1 million	19.6%	US\$36.6 million	19.9x	An asset management company that operates as an exchange traded products sponsor and asset manager providing investment advisory services in the U.S., Europe, Canada and Japan
					<b>Highest</b>	<b>58.9x</b>	
					<b>Lowest</b>	<b>7.0x</b>	
					<b>Average</b>	<b>23.8x</b>	
					<b>Median</b>	<b>15.9x</b>	

*Notes:*

1. Revenue and net profit for the latest financial year of the company are used.
2. Revenue growth represents the rate of growth of the company's revenue (excluding mark-to-market impact of financial assets) for the latest financial year as compared with the preceding financial year. The average revenue growth rate of the Comparables is approximately 10.8%.
3. The P/E ratio is calculated based on the closing share price of the Comparables as at 17 January 2020 and the net profit for the latest financial year of the Comparables.

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As set out in the table above, the P/E ratios of the Comparables ranged from approximately 7.0 times to 58.9 times, with an average and median of approximately 23.8 times and 15.9 times respectively. The Implied P/E Ratio of approximately 30.5 times is within the range of the P/E ratios of the Comparables but above the average and median of the Comparables.

We noted that AssetMark has a relatively high P/E ratio of approximately 58.9 times as compared with other Comparables. Considering AssetMark did not record abnormally nominal amount of net profit for its latest financial year, which could have driven up its P/E ratio, we are of the view that the high P/E ratio of AssetMark may be due to market expectations on the high growth potential of AssetMark. Our view is supported by the fact that (i) AssetMark heavily relies on technology in providing wealth management services, for example, it owns an integrated technology platform to automate certain wealth management processes, which enables AssetMark to ride on the strong growing trend of Fintech sector; (ii) AssetMark recorded strong revenue growth of approximately 23.1% for its latest financial year, which represents more than two times of the average revenue growth of the Comparables; and (iii) AssetMark's profit before tax recorded a growth of more than two times for its latest financial year. Based on the above, we do not consider AssetMark an outlier among the Comparables that necessitates exclusion from our analysis.

Having considered that the principal business of AMTD and the Comparables is the provision of investment services with a substantial portion of their core revenue derived from fee and commission income, we are of the view that revenue and net profit are the two most representative parameters in reflecting the operational performance of these service companies as opposed to the net asset value in our assessment on the fairness and reasonableness of the AMTD Shares Acquisition Price. Accordingly, we have not placed particular emphasis on the net asset value of AMTD and we considered that price-to-book ratio is not appropriate to our analysis here, while P/E ratio, which is based on companies' profitability, is the appropriate valuation benchmark for our assessment of the fairness and reasonableness of the AMTD Shares Acquisition Price.

We noted that AMTD recorded better financial performance as compared with the Comparables. In particular, the revenue growth (excluding mark-to-market impact of financial assets) of AMTD was approximately 33.9% for the latest financial year, which is much higher than the average revenue growth rate of 10.8% among the Comparables. Despite the Implied P/E Ratio is higher than the average and median of the Comparables, having considered (i) the higher revenue (excluding mark-to-market impact of financial assets) growth of AMTD as compared with the Comparables; (ii) the leading position of AMTD in Asia; (iii) the high growth potential and promising outlook of AMTD, with its strong commitment and clientele in the fast-growing Fintech sector, leveraging on AMTD Group's significant investments in such sector; and (iv) the Group's intention to develop a long-term and strategic co-operative relationship with AMTD, as discussed under the section headed "3.2. Reasons for and benefits of the AMTD II Acquisition" above, we are of the view that the AMTD Shares Acquisition Price is fair and reasonable.

### *3.3.2.4 Section summary*

Having considered that (i) the AMTD Shares Acquisition Price is within range of closing prices of ADSs during the Review Period and represents a discount to the daily average closing price of the ADSs during the Review Period; (ii) the Implied P/E Ratio is within the range of the P/E ratios of the Comparables; (iii) AMTD recorded better financial performance with strong growth potential as

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compared with the Comparables; and (iv) the reasons for and benefits of investing in AMTD, we are of the view that the AMTD Shares Acquisition Price, and the consideration for the AMTD II Acquisition, is fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole.

### *3.3.3 Undertaking by the AMTD II Purchaser*

As discussed under the section headed “3.3 Principal terms of the AMTD II Acquisition Agreement” above, 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 the 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 the 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.

According to the Directors, the proposed investment in AMTD represents a long-term, strategic investment in a listed financial services platform which is well positioned to capitalise on merchant banking opportunities emanating from the Asian Pacific region. The undertaking to reinvest future cash dividends to be paid by AMTD represents a commitment by the Group to the AMTD Shares Vendor, which is the controlling shareholder of AMTD, to develop a long-term and strategic business relationship with AMTD. Considering the solid business performance, strong core revenue growth and high profitability of AMTD and positive prospect of the Fintech industry as further elaborated under the section headed “3.2 Reasons for and benefits of the AMTD II Acquisition” above, the Management is of the view, and we concur, that reinvesting the cash dividends by AMTD can create long-term value and positive returns to the Company.

Furthermore, pursuant to the AMTD II Acquisition Agreement, after the lock-up period of 180 days following the completion of the AMTD II Acquisition, the AMTD II Purchaser can sell any AMTD Class A Shares acquired under the AMTD II Acquisition, including the reinvestment shares in AMTD, without having to obtain the consent of the AMTD Shares Vendor. Despite the AMTD Class A Shares are not tradable on the market, the AMTD II Shares can be converted into ADSs after the AMTD II Purchaser providing written request to AMTD. We are of the view that such shares conversion procedure is just procedural and will not be a hurdle for the Group to sell its AMTD Class A Shares on the market if it would wish to do so.

Given AMTD’s commitment to the technology and Fintech sector, we are of the view that AMTD is currently at its development stage with high growth potential and has strong funding needs to support its growth. As such, we believe that AMTD may continue to plough back its earnings and reinvest into its business operations in the near future. This is supported by the fact that (i) AMTD did not distribute any cash dividends during the years ended 31 December 2017 and 2018; and

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(ii) AMTD has been actively raising funds by different means in 2019, including IPO, issuance of warrant, ordinary shares and convertible notes. Therefore, we are of the view that the likelihood for AMTD to distribute cash dividends in the near future is low, and even if AMTD considers to declare and distribute cash dividends in the future, the amount may not be significant.

In the event that AMTD declares any cash dividends during the period when the AMTD II Purchaser or its affiliates hold any AMTD II Shares prior to 31 December 2026, the Group will have to deploy such cash dividends receivable in accordance with the abovementioned undertaking. However, since there is no restriction on the Group to sell or to monetise the AMTD Class A Shares arising from the reinvestment, the Group may dispose of the AMTD Class A Shares arising from the reinvestment and realise the cash element which is in essence the cash dividend.

In light of the above, we are of the view that the undertaking by the AMTD II Purchaser is fair and reasonable and in the interests of the Company and its shareholders as a whole.

### *3.3.4 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 AMTD Class A Shares) to any of its affiliates and subsidiaries.

Pursuant to the Securities Act Rule 144: Selling Restricted and Control Securities enforced by the U.S. Securities and Exchange Commission, there is a six-month holding period requirement for the AMTD II Purchaser to resell the AMTD Class A Shares in this acquisition. Accordingly, the 180 days lock-up period is necessary in order to comply with such rule. We also noted from the AMTD Prospectus that the lock-up period of 180 days had also applied to the directors, executive officers, and then existing shareholders of AMTD upon the completion of the AMTD IPO on the NYSE.

Based on the above, we are of the view that the terms in relation to lock-up period is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Based on the discussion in sections 3.3.1 to 3.3.4 above, we are of the view that the terms of the AMTD II Acquisition Agreement are on normal commercial terms, and they are fair and reasonable.

### ***3.4 Possible financial effects as a result of the AMTD II Acquisition***

As discussed under the section headed “2.3 Reasons for and benefits of the CIDL Disposal” above, the proceeds from the CIDL Disposal is proposed to be deployed towards the Group’s investment in AMTD. The completion of the AMTD II Acquisition is conditional upon the completion of the CIDL Disposal. As such, there is no additional fund raising required for making the AMTD II Acquisition, and the AMTD II Acquisition will not have any impact on the net assets and profit and loss accounts of the Company.

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Upon completion of the AMTD II Acquisition, the Group will hold 6,069,000 AMTD Class A Shares, representing approximately (i) 2.5% of the total issued share capital of AMTD, (ii) 0.2% of the total voting power represented by the total issued share capital of AMTD; and (iii) 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. Therefore, AMTD will not become a subsidiary of the Company and its financial statements will not be consolidated into that of the Company.

Based on the accounting policy and our discussion with the Management, the investment in AMTD Class A Shares will be recognised as equity investment designated at fair value through other comprehensive income, and any subsequent gain or loss arising from such investment will be accounted for in other comprehensive income in the consolidated financial statements of the Company.

### RECOMMENDATION

In view of the above principal factors and reasons for the CIDL Disposal and the AMTD II Acquisition, we are of the view that (i) the terms of the CIDL Disposal and the AMTD II Acquisition are on normal commercial terms and are fair and reasonable as far as Independent Shareholders are concerned; and (ii) the CIDL Disposal and the AMTD II Acquisition are in the ordinary and usual course of business of the Company, in the interests of the Company and its shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the CIDL Disposal and the AMTD II Acquisition respectively.

Yours faithfully,

For and on behalf of

**Altus Capital Limited**

**Chang Sean Pey**  
*Executive Director*

**Jeanny Leung**  
*Executive Director*

*Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Ms. Jeanny Leung ("Ms. Leung") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

## 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 the Company. 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 THE DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company 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:

		Number of shares held				Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
The Company/ Name of associated corporation	Name of Director	Class of shares held	Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. LO Yuk Sui	Ordinary				
		(i) (issued)	—	3,084,174,716 (Notes e & h)	—	3,084,174,716
		(ii) (unissued)	—	5,024,058,784 (Note f)	—	5,024,058,784
					Total:	8,108,233,500 (183.70%)
		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%)

				Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Personal interests	Corporate interests	Family/Other interests	
The Company/ Name of associated corporation	Name of Director	Class of shares held					
2.	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. Kenneth WONG Po Man	Ordinary (issued)	200	—	—	200 (0.000%)
		Mr. Kelvin LEUNG So Po	Ordinary (issued)	4,000	—	—	4,000 (0.000%)
3.	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 WONG Po Man	Ordinary (issued)	6,200	—	—	6,200 (0.001%)
		Mr. Kelvin LEUNG So Po	Ordinary (issued)	50,185	—	—	50,185 (0.005%)
		Mr. Kenneth NG Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)
4.	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. Kenneth WONG Po Man	Ordinary (issued)	200	—	—	200 (0.000%)
		Mr. Kelvin LEUNG So Po	Ordinary (issued)	200	—	—	200 (0.000%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held		Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
					Corporate interests	Family/Other interests	
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. LO Yuk Sui	Units (issued)	—	2,443,033,102 (Note g)	—	2,443,033,102 (74.99%)

## 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 Regal 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 the Company, 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 the Company, 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 the Company (the "CB Issuer"). The convertible bonds are convertible into new Cosmopolitan Shares at a conversion price of HK\$0.35 per Cosmopolitan 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 the 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 Cosmopolitan 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 the Company. 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. The Company 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) 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.

As at the Latest Practicable Date, save for the above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

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

- (1) Mr. LO Yuk Sui is a director of YSL International Holdings Limited.
- (2) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To and Miss LO Po Man are directors of Grand Modern Investments Limited.
- (3) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To, Miss LO Po Man, Mr. Kelvin LEUNG So Po and Mr. Kenneth NG Kwai Kai are directors of Century City and Century City BVI Holdings Limited.
- (4) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To, Miss LO Po Man, Mr. Kenneth WONG Po Man, Mr. Kenneth NG Kwai Kai and Hon Abraham SHEK Lai Him, GBS, JP are directors of Paliburg.
- (5) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To, Miss LO Po Man, Mr. Kenneth WONG Po Man and Mr. Kenneth NG Kwai Kai are directors of the wholly owned subsidiaries of Paliburg named below, P&R and the wholly owned subsidiaries of P&R named below.
  - (i) wholly owned subsidiaries of Paliburg

Paliburg Development BVI Holdings Limited  
Capital Merit Investments Limited
  - (ii) wholly owned subsidiaries of P&R

Alpha Advantage Investments Limited  
Interzone Investments Limited  
Jumbo Pearl Investments Limited  
Lendas Investments Limited  
Sun Joyous Investments Limited  
Time Crest Investments Limited  
Valuegood International Limited  
Well Mount Investments Limited  
Winart Investments Limited
- (6) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To, Miss LO Po Man, Ms. Alice KAN Lai Kuen and Mr. Kenneth NG Kwai Kai are directors of Regal.

- (7) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To, Miss LO Po Man and Mr. Kenneth NG Kwai Kai are directors of the wholly owned subsidiaries of Regal named below.

Regal International (BVI) Holdings Limited

Regal Hotels Investments Limited

Tenshine Limited

### **3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or is likely to compete with the business of the Group and would require disclosure under Rule 8.10 of the Listing Rules.

### **5. QUALIFICATION AND CONSENT OF EXPERT**

The following are the qualifications of the expert who has given, or agreed to the inclusion of, its opinions or advice in this circular:

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	a licensed corporation to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

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

As at the Latest Practicable Date, Altus did not have any interest in the share capital of any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and Altus 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 the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as disclosed in the profit warning announcement of the Company on 21 August 2019, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited consolidated accounts of the Group were made up.

**7. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Eliza LAM Sau Fun, who is an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

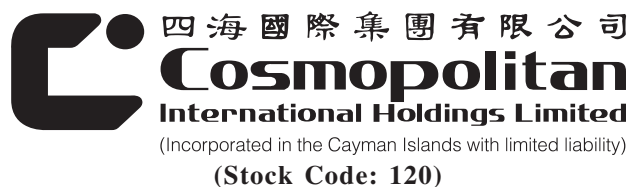
Copies of the following documents are available for inspection at the above head office and principal place of business of the Company in Hong Kong for 14 days commencing from the date of this circular during normal business hours:

- (a) the CIDL Disposal Agreement;
- (b) the AMTD II Acquisition Agreement;
- (c) the CIDL Subsidiary Deposit Agreement and the CIDL Subsidiary Deposit (Supplemental) Agreement;
- (d) the CIDL Subsidiary Loan Agreement; and
- (e) the Second CIDL Subsidiary Loan Agreement.

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## NOTICE OF EGM

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**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Cosmopolitan International Holdings Limited (the “**Company**”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 24 March 2020 at 10:30 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions:

### ORDINARY RESOLUTIONS

1. “**THAT** the disposal of the entire issued share capital of CIDL (as defined in the circular of the Company dated 5 March 2020 (“**Circular**”) to its shareholders, of which this notice forms part) and all loans or other debts owed to the CIDL Seller (as defined in the Circular) by the CIDL Group (as defined in the Circular) for a total consideration of HK\$400.0 million on the terms and subject to the conditions of the CIDL Disposal Agreement (as defined in the Circular) dated 31 December 2019 entered into between the CIDL Seller, a wholly-owned subsidiary of the Company, as seller and Fortis Fund IV Limited as buyer (a copy of the CIDL Disposal Agreement, marked as “A” and signed by the chairman of the meeting for the purposes of identification, was produced to the meeting) and the transactions contemplated by the CIDL Disposal Agreement as described in the Circular, be and are hereby approved, ratified and/or confirmed, and that the directors of the Company (or a duly authorized committee thereof) 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.”
2. “**THAT**, conditional upon the CIDL Disposal Agreement being completed, the acquisition of the AMTD II Shares (as defined in the Circular) for a total consideration of US\$51,283,050 on the terms and subject to the conditions of the AMTD II Acquisition Agreement (as defined in the Circular) dated 31 December 2019 entered into between Clear Radiant Limited, a wholly-owned subsidiary of the Company, as purchaser and AMTD Group Company Limited as vendor (a copy of the AMTD II Acquisition Agreement, marked as “B” and signed by the chairman of the meeting for the purposes of identification, was produced to the meeting) and the transactions contemplated by the AMTD II Acquisition Agreement as described in the Circular, be and are hereby approved, ratified and/or confirmed, and that the directors of the Company (or a duly authorized committee thereof) 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

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## NOTICE OF EGM

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such non-material modifications, amendments, waivers, variations or extensions of such terms and conditions as they think fit.”

By order of the Board of  
**Cosmopolitan International Holdings Limited**  
**Eliza LAM Sau Fun**  
*Secretary*

Hong Kong, 5 March 2020

*Registered office:*  
P.O. Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*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 EGM, the register of ordinary shareholders of the Company will be closed from Thursday, 19 March 2020 to Tuesday, 24 March 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 EGM, all transfers of ordinary shares and/or conversions of the convertible securities of the Company, duly accompanied by the relevant share certificates and/or certificates of the convertible securities, together with, where appropriate, the relevant conversion notices, must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 18 March 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 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. 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, the 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 share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 the 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 were 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 in respect of the joint holdings.

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## NOTICE OF EGM

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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) 2894-7521 on that day to enquire about the arrangements of the meeting.