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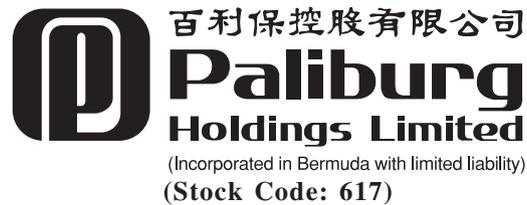
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, certified public accountant or other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

**If you have sold or transferred** all your shares in Paliburg Holdings Limited, you should at once hand this circular to the purchaser(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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**MAJOR TRANSACTIONS IN RESPECT OF THE SHARE SWAP**

**AND**

**MAJOR TRANSACTION IN RESPECT OF  
THE POSSIBLE SECURITIES TRANSACTIONS**

**Financial adviser**



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A letter from the board of directors of Paliburg Holdings Limited is set out on pages 1 to 20 of this circular.

25 September 2023

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## DEFINITIONS

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

“AMTD”	AMTD IDEA Group (formerly known as AMTD International Inc.), a company incorporated in the Cayman Islands, the AMTD ADSs are listed on the New York Stock Exchange and AMTD Shares are listed on the Singapore Stock Exchange
“AMTD ADS(s)”	American depositary share(s) of AMTD, one of which representing two AMTD Shares
“AMTD Sale Shares”	9,500,000 AMTD Shares to be disposed of by P&R Finance under the AMTD Shares Transfer Agreement
“AMTD Share(s)”	Class A ordinary share(s) of AMTD
“AMTD Shares Disposal”	the transactions contemplated under the AMTD Shares Transfer Agreement
“AMTD Shares Purchaser”	AMTD Group Inc. (formerly known as AMTD Group Company Limited), a controlling shareholder of AMTD, of which 32.9% issued and outstanding shares are held by its single largest shareholder, Infinity Power Investments Limited
“AMTD Shares Transfer Agreement”	the conditional agreement dated 30 June 2023 entered into between P&R Finance and AMTD Shares Purchaser in respect of the sale and purchase of the AMTD Sale Shares
“Articles of Association”	the articles of association of Cosmopolitan from time to time
“associate(s)”	has the meaning ascribed to such term in the Listing Rules
“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

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## DEFINITIONS

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“Change of Board Lot Size”	the proposed change of the board lot size from 2,000 Existing Cosmo Shares to 600 Cosmo Consolidated Shares after the Cosmo Share Consolidation becoming effective
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Cosmo Bonus CN(s)”	the new convertible note(s) with a face notional value of HK\$0.10 each to be constituted by the Deed Poll and to be issued by Cosmopolitan pursuant to the Cosmo Bonus Issue to the Cosmopolitan Shareholders and the Cosmo Convertible Preference Shareholders electing to receive such new convertible note(s) in lieu of their entitlements to the Cosmo Bonus Shares
“Cosmo Bonus CN Holder(s)”	holder(s) of the Cosmo Bonus CN(s)
“Cosmo Bonus CN Share(s)”	new Cosmo Consolidated Share(s) to be issued upon conversion of the Cosmo Bonus CNs
“Cosmo Bonus Issue”	the proposed issue of the Cosmo Bonus Shares, with an option to elect to receive the Cosmo Bonus CNs in lieu of the Cosmo Bonus Shares
“Cosmo Bonus Share(s)”	new Cosmo Consolidated Share(s) to be issued, fully paid at an issue price of HK\$0.10 each pursuant to the Cosmo Bonus Issue
“Cosmo Consolidated Convertible Preference Share(s)”	convertible preference share(s) in the share capital of Cosmopolitan after the Cosmo Share Consolidation becoming effective, which will have a par value of HK\$0.02 each
“Cosmo Consolidated Share(s)”	ordinary share(s) in the share capital of Cosmopolitan after the Cosmo Share Consolidation becoming effective, which will have a par value of HK\$0.02 each
“Cosmo Convertible Bonds”	convertible bonds with a total principal amount of HK\$300.0 million issued by Apex Team Limited, a wholly-owned subsidiary of Cosmopolitan, which will be due on 18 August 2026 (as extended), further particulars of which are set out in the circular of Cosmopolitan dated 10 August 2021
“Cosmo Convertible Preference Share(s)”	convertible preference share(s) in the share capital of Cosmopolitan with a par value of HK\$0.002 each before the Cosmo Share Consolidation becoming effective

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## DEFINITIONS

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“Cosmo Convertible Preference Shareholder(s)”	holder(s) of the issued Cosmo Convertible Preference Share(s) or the Cosmo Consolidated Convertible Preference Share(s) after the Cosmo Share Consolidation becoming effective
“Cosmo Sale Shares”	the Existing Cosmo Shares agreed to be sold to Valuegood under the Cosmo Shares Transfer Agreement, comprising 368,320,000 Existing Cosmo Shares currently held by the Cosmo Shares Vendor (together with any rights and entitlements distributed to or received by the Cosmo Shares Vendor in respect of such Cosmo Sale Shares before the date of completion of the Cosmo Shares Transfer Agreement)
“Cosmo Shares Acquisition”	the acquisition of the Cosmo Sale Shares at the price of HK\$1.70 per Cosmo Sale Share under the Cosmo Shares Transfer Agreement
“Cosmo Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Cosmo Shares in the existing share capital of Cosmopolitan into one (1) Cosmo Consolidated Share and the proposed consolidation of every ten (10) issued and unissued Cosmo Convertible Preference Shares in the existing share capital of Cosmopolitan into one (1) Cosmo Consolidated Convertible Preference Share
“Cosmo Shares Transfer Agreement”	the conditional agreement dated 30 June 2023 entered into among Valuegood, the Cosmo Shares Vendor, the AMTD Shares Purchaser and P&R Finance
“Cosmo Shares Vendor”	AMTD Properties (HK) Limited, an indirect non-wholly owned subsidiary of the AMTD Shares Purchaser
“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 120)
“Cosmopolitan Board”	board of the Cosmopolitan Directors
“Cosmopolitan Controlling Shareholder(s)”	Paliburg, Regal and P&R
“Cosmopolitan Directors”	directors of Cosmopolitan
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries

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## DEFINITIONS

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“Cosmopolitan Shareholder(s)”	holder(s) of the Existing Cosmo Share(s) or the Cosmo Consolidated Share(s) after the Cosmo Share Consolidation becoming effective
“Deed Poll”	the deed poll and any other documents (as from time to time altered in accordance with the Deed Poll) to be executed by Cosmopolitan to constitute and create the Cosmo Bonus CNs
“Existing Cosmo Share(s)”	the ordinary share(s) in the share capital of Cosmopolitan with a par value of HK\$0.002 each before the Cosmo Share Consolidation becoming effective
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 of the relevant company in accordance with the Listing Rules
“Joint Announcement”	the joint announcement dated 11 July 2023 jointly published by the Relevant Group Companies in relation to, among other things, (i) the Share Swap; (ii) the Cosmo Share Consolidation, Change of Board Lot Size, the proposed amendments to the Articles of Association and Cosmo Bonus Issue; and (iii) the Possible Securities Transactions
“Latest Practicable Date”	19 September 2023, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2023 or such other date as agreed by the parties to the Share Swap

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## DEFINITIONS

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“Non-Qualifying Cosmopolitan Shareholders”	the Overseas Cosmo Shareholders whom the Cosmopolitan Directors, after making enquiry, are of the view that it would be necessary or expedient to exclude them from the Cosmo Bonus Issue on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
“Original Share Swap”	the share swap made pursuant to the Original Share Swap Agreements
“Original Share Swap Agreements”	the agreement made between Valuegood and the Cosmo Shares Vendor in respect of 368,320,000 Existing Cosmo Shares and the agreement made between the AMTD Shares Purchaser and P&R Finance in respect of 9,500,000 AMTD Shares both dated 24 January 2020, details of which are set out in the circular of Paliburg dated 31 March 2020
“Overseas Cosmo Shareholders”	the Cosmopolitan Shareholders or the Cosmo Convertible Preference Shareholders whose addresses as shown on the registers of members of Cosmopolitan at the close of business on the Record Date is/are outside Hong Kong
“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 Board”	board of the Paliburg Directors
“Paliburg Directors”	directors of Paliburg
“Paliburg Group”	Paliburg and its subsidiaries
“Paliburg Shareholder(s)”	the holder(s) of the ordinary shares in the share capital of Paliburg with a par value of HK\$0.10 each
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“Possible Securities Transactions”	the possible acquisitions by the Paliburg Group of the Cosmo Bonus CN Shares upon the conversion of the Cosmo Bonus CNs to be received under the Cosmo Bonus Issue
“PRC”	People’s Republic of China
“P&R”	P&R Holdings Limited, a company owned as to 50% by a wholly-owned subsidiary of Paliburg and 50% by a wholly-owned subsidiary of Regal
“P&R Finance”	P&R Finance Limited, a wholly-owned subsidiary of P&R

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## DEFINITIONS

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“Qualifying Cosmopolitan Shareholders”	any Cosmopolitan Shareholders, Cosmo Convertible Preference Shareholders, other than the Non-Qualifying Cosmopolitan Shareholders, whose names appear on the registers of members of Cosmopolitan at the close of business on the Record Date
“Record Date”	the record date for ascertaining the entitlements of the Cosmopolitan Shareholders and the Cosmo Convertible Preference Shareholders to the Cosmo Bonus Issue
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal Group”	Regal and its subsidiaries
“Relevant Group Companies”	Century City, Paliburg, Cosmopolitan, Regal and RH International
“RH International”	RH International Finance Limited, a company incorporated in the BVI, a wholly-owned subsidiary of Regal, the senior perpetual securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 5425)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Swap”	the AMTD Shares Disposal and the Cosmo Shares Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Valuegood”	Valuegood International Limited, a wholly-owned subsidiary of P&R
“%”	per cent.

*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. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars 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 PALIBURG 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)*

Mr. Kelvin LEUNG So Po

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Kenneth WONG Po Man

*Independent Non-Executive Directors:*

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP

Ms. Winnie NG, JP

Mr. Abraham SHEK Lai Him, GBS, JP

Mr. WONG Chi Keung

*Registered office:*

4th Floor North

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

*Head office and principal*

*place of business:*

11th Floor, 68 Yee Wo Street

Causeway Bay

Hong Kong

25 September 2023

*To the Paliburg Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTIONS IN RESPECT OF THE SHARE SWAP**

**AND**

### **MAJOR TRANSACTION IN RESPECT OF THE POSSIBLE SECURITIES TRANSACTIONS**

#### **INTRODUCTION**

Reference is made to the Joint Announcement in relation to, among other things, (i) the Share Swap; (ii) the Cosmo Share Consolidation, Change of Board Lot Size, the proposed amendments to the Articles of Association and Cosmo Bonus Issue; and (iii) the Possible Securities Transactions.

The purpose of this circular is to provide you with, among other things, further information of the Share Swap and the Possible Securities Transactions of Paliburg for information purpose.

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## LETTER FROM THE PALIBURG BOARD

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### I. THE SHARE SWAP

The Share Swap comprises the AMTD Shares Disposal and the Cosmo Shares Acquisition.

#### A. AMTD SHARES DISPOSAL

On 30 June 2023 (before trading hours of the Stock Exchange), P&R Finance (a wholly-owned subsidiary of P&R which in turn is a 50%:50% joint venture company between the respective wholly-owned subsidiaries of Paliburg and Regal) as seller entered into the AMTD Shares Transfer Agreement with the AMTD Shares Purchaser as purchaser, pursuant to which P&R Finance conditionally agreed to sell and the AMTD Shares Purchaser conditionally agreed to purchase 9,500,000 AMTD Shares, priced at US\$8.45 per AMTD Share.

The major terms of the AMTD Shares Transfer Agreement are set out below:

#### AMTD SHARES TRANSFER AGREEMENT

Date	:	30 June 2023
Parties	:	(a) AMTD Shares Purchaser, as purchaser (b) P&R Finance, as seller
Assets to be disposed of	:	P&R Finance conditionally agreed to sell and the AMTD Shares Purchaser conditionally agreed to purchase the AMTD Sale Shares (being 9,500,000 AMTD Shares) priced at US\$8.45 per AMTD Share. The AMTD Sale Shares will be delivered on the completion of the AMTD Shares Transfer Agreement free from encumbrances.  The AMTD Sale Shares represent approximately 2.03% of the latest published total share capital (including treasury shares) of AMTD as at the date of the Joint Announcement.
Consideration	:	The AMTD Sale Shares are priced at US\$8.45 (equivalent to approximately HK\$65.91) per AMTD Share.  The price per AMTD Sale Share was negotiated on an arm's length basis between P&R Finance and the AMTD Share Purchaser. It is agreed to be the same as the original acquisition cost per AMTD Sale Share of P&R Finance in 2020.

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## LETTER FROM THE PALIBURG BOARD

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The price per AMTD Sale Share of US\$8.45 represents (i) a premium of approximately 976.4% over the closing price of US\$1.57 per AMTD ADS (equivalent to US\$0.785 per AMTD Share) as at 29 June 2023, being the last trading day prior to the date of the AMTD Shares Transfer Agreement; and (ii) a premium of approximately 971.0% over the average closing price of US\$1.578 per AMTD ADS (equivalent to US\$0.789 per AMTD Share) for the five trading days up to and including 29 June 2023.

- Payment terms : Based on the price per AMTD Sale Share of US\$8.45, the total consideration for the AMTD Sale Shares is US\$80,275,000. On the completion of the AMTD Shares Transfer Agreement, it will be satisfied by the transfer of the Cosmo Sale Shares to Valuegood pursuant to the Cosmo Shares Transfer Agreement.
- Conditions precedent : Completion is subject to the satisfaction or waiver (to the extent permissible by the party(ies) entitled to such benefit) by P&R Finance and the AMTD Shares Purchaser 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 Shares Transfer Agreement;
  - (b) no proceeding challenging the AMTD Shares Transfer Agreement or the transactions contemplated thereby, or seeking to prohibit, alter, prevent or materially delay its completion, shall have been instituted or be pending before any governmental authority;
  - (c) all the conditions to the completion of the Cosmo Shares Transfer Agreement shall be satisfied (other than the condition in that agreement requiring the conditions precedent to the completion of the AMTD Shares Transfer Agreement to be satisfied or waived);
  - (d) Century City and Paliburg having obtained their respective shareholders' approval of the transaction contemplated under AMTD Shares Transfer Agreement;
  - (e) the respective representations and warranties of the parties to the AMTD Shares Transfer Agreement shall remain true and correct on and as of the date of closing; and

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## LETTER FROM THE PALIBURG BOARD

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- (f) the parties to the AMTD Shares Transfer Agreement shall have performed or complied with all their respective obligations and conditions under the AMTD Shares Transfer Agreement required to be performed or complied with on or prior to the date of closing.

All the above conditions cannot be waived. As at the Latest Practicable Date, other than condition (d), all other conditions precedent had not been fulfilled.

Completion : The AMTD Shares Transfer Agreement will complete concurrently with the completion of the Cosmo Shares Transfer Agreement, subject to the satisfaction (or waiver, if applicable) of the above conditions precedent.

If the completion of the AMTD Shares Transfer Agreement does not take place by the Long Stop Date, the AMTD Shares Transfer Agreement may be terminated by its parties by written notice in accordance with its terms.

### FINANCIAL EFFECTS OF THE AMTD SHARES DISPOSAL ON PALIBURG

Upon completion of the Original Share Swap in 2020, the AMTD Sale Shares were recognised as equity investment designated at fair value through other comprehensive income. Upon the completion of the AMTD Shares Transfer Agreement, the number of AMTD Shares held by P&R will be reduced from 15,174,000 to 5,674,000, representing 1.21% of the latest published total share capital (including treasury shares) of AMTD. The AMTD Shares Disposal will have no effect on the consolidated profit and loss of the Paliburg Group as the gain on the AMTD Shares Disposal of HK\$567.3 million, being the difference between the consideration of the AMTD Sale Shares of HK\$626.1 million and the carrying amount of the AMTD Sale Shares of HK\$58.8 million at 30 June 2023, will be recognised in other comprehensive income in the consolidated financial statements of the Paliburg Group. Based on the assumptions adopted in the section headed “Appendix II – Unaudited pro forma financial information of the Paliburg Group”, there will be a decrease in assets of HK\$58.8 million of the Paliburg Group upon completion of the AMTD Shares Disposal as the consideration for the AMTD Shares Disposal of HK\$626.1 million will be satisfied by the acquisition of the Cosmo Sale Shares which will be eliminated upon consolidation.

### B. COSMO SHARES ACQUISITION

On 30 June 2023 (before trading hours of the Stock Exchange), Valuegood (a wholly-owned subsidiary of P&R) as purchaser, the Cosmo Shares Vendor as vendor, the AMTD Shares Purchaser and P&R Finance entered into the Cosmo Shares Transfer Agreement, pursuant to which Valuegood conditionally agreed to purchase and the Cosmo Shares Vendor conditionally agreed to sell 368,320,000 Existing Cosmo Shares, priced at HK\$1.70 per Existing Cosmo Share.

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## LETTER FROM THE PALIBURG BOARD

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The major terms of the Cosmo Shares Transfer Agreement are set out below:

### COSMO SHARES TRANSFER AGREEMENT

- Date : 30 June 2023
- Parties : (a) Valuegood as purchaser.
- (b) Cosmo Shares Vendor as seller.
- (c) AMTD Shares Purchaser and P&R Finance, being parties to the AMTD Shares Transfer Agreement to procure transfer of the AMTD Sale Shares to satisfy the consideration for the Cosmo Sale Shares.
- Assets to be acquired : Valuegood conditionally agreed to purchase and the Cosmo Shares Vendor conditionally agreed to sell the Cosmo Sale Shares, comprising 368,320,000 Existing Cosmo Shares and representing approximately 5.76% of the issued ordinary shares of Cosmopolitan as at the date of the Joint Announcement (together with any rights and entitlements including the entitlements under the Cosmo Bonus Issue to be distributed to or to be received by the Cosmo Shares Vendor before completion of the Cosmo Shares Acquisition). The Cosmo Sale Shares will be delivered on the completion of the Cosmo Shares Transfer Agreement free from encumbrances.
- Consideration : The Cosmo Sale Shares are priced at HK\$1.70 per Existing Cosmo Share. The price per Cosmo Sale Share was negotiated on an arm's length basis between Valuegood and the Cosmo Shares Vendor and agreed to be the same as the original acquisition cost per Cosmo Sale Share of Cosmo Shares Vendor in 2020.
- The price per Cosmo Sale Share of HK\$1.70 represents (i) a premium of approximately 17.2% over the closing price of HK\$1.45 per Existing Cosmo Share as quoted on the Stock Exchange on 29 June 2023, being the last trading day prior to the date of the Cosmo Shares Transfer Agreement; and (ii) a premium of approximately 12.0% over the average closing price of HK\$1.518 per Existing Cosmo Share for the last five trading days up to and including 29 June 2023, being the last trading day prior to the date of the Cosmo Shares Transfer Agreement.

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## LETTER FROM THE PALIBURG BOARD

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Payment terms : Based on the price per Cosmo Sale Share of HK\$1.70 per Existing Cosmo Share, the total consideration for the Cosmo Sale Shares is HK\$626,144,000. On the completion of the Cosmo Shares Acquisition, it will be satisfied by the transfer of the AMTD Sale Shares to the AMTD Shares Purchaser pursuant to the AMTD Shares Transfer Agreement.

Conditions precedent : Completion is subject to the satisfaction by Valuegood and the Cosmo Shares Vendor of the following conditions precedent:

- (a) Century City and Paliburg have obtained their respective shareholders' approval of the transactions contemplated under the Cosmo Shares Transfer Agreement;
- (b) all the conditions to the completion of the AMTD Shares Transfer Agreement have been satisfied or waived (other than the condition in that agreement requiring the conditions precedent to the completion of the Cosmo Shares Transfer to be satisfied or waived); and
- (c) the completion of the Cosmo Shares Acquisition would not result in Cosmopolitan in breach of any laws, regulations and the Listing Rules.

All the above conditions cannot be waived. As at the Latest Practicable Date, other than condition (a), no other conditions precedent had been fulfilled.

Completion : Subject to the satisfaction of the above conditions precedent, the Cosmo Shares Transfer Agreement will complete, concurrently with the completion of the AMTD Shares Transfer Agreement, on the next business day after the date of completion of the Cosmo Share Consolidation and the Cosmo Bonus Issue unless the conditions precedent have not been fully satisfied on or before that day, in which event the date of completion shall be the first Business Day after Valuegood has notified the Cosmo Shares Vendor of all the conditions precedent having been fully satisfied on or before the Long Stop Date or such other date as agreed by the parties in writing.

If the completion of the Cosmo Shares Transfer Agreement does not take place by the Long Stop Date, the Cosmo Shares Transfer Agreement may be terminated by its parties by written notice in accordance with its terms.

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## LETTER FROM THE PALIBURG BOARD

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### FINANCIAL EFFECTS OF THE COSMO SHARES ACQUISITION ON PALIBURG

Upon the completion of the Cosmo Shares Transfer Agreement, 36,832,000 Cosmo Consolidated Shares will be transferred to Valuegood, a wholly-owned subsidiary of P&R. There will be no impact on the consolidated profit and loss, or assets and liabilities of Paliburg as a result of the implementation of the Cosmo Shares Acquisition as Cosmopolitan will remain a subsidiary of Paliburg after completion thereof. The financial statements of Cosmopolitan will continue to be consolidated into the financial statements of Paliburg after completion of the Cosmo Shares Acquisition.

#### C. FINANCIAL INFORMATION ON COSMOPOLITAN

Based on the published consolidated financial statements of Cosmopolitan for the two years ended 31 December 2022 and the six months ended 30 June 2023, set out below is the key financial information of Cosmopolitan:

	<b>Year ended 31 December 2021 <i>(Audited)</i> <i>HK\$'million</i></b>	<b>Year ended 31 December 2022 <i>(Audited)</i> <i>HK\$'million</i></b>	<b>Six months ended 30 June 2023 <i>(Unaudited)</i> <i>HK\$'million</i></b>
Revenue	1,638.9	1,015.7	23.5
Profit/(loss) before taxation	267.7	146.0	(64.5)
Profit/(loss) after taxation	33.6	4.0	(98.3)
	<b>As at 31 December 2021 <i>(Audited)</i> <i>HK\$'million</i></b>	<b>As at 31 December 2022 <i>(Audited)</i> <i>HK\$'million</i></b>	<b>As at 30 June 2023 <i>(Unaudited)</i> <i>HK\$'million</i></b>
Total assets	4,844.7	4,000.5	3,982.5
Total liabilities	3,216.3	2,589.8	2,751.9
Net assets	1,628.4	1,410.7	1,230.6

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## LETTER FROM THE PALIBURG BOARD

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### D. FINANCIAL INFORMATION ON AMTD

Based on the published consolidated financial statements of AMTD for the two years ended 31 December 2022 prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board, set out below is the key financial information of AMTD:

	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2022</b>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,397,844	1,371,881
Profit before taxation	1,331,177	1,361,698
Profit after taxation	1,221,882	1,256,714
	<b>As at 31 December 2021</b>	<b>As at 31 December 2022</b>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	6,686,838	8,271,292
Total liabilities	897,965	454,664
Net assets	5,788,873	7,816,628

### E. REASONS FOR AND BENEFITS OF THE SHARE SWAP

Reference is made to the joint announcement issued by Century City and Paliburg on 24 January 2020 in respect of the Original Share Swap Agreements. Completion of the Original Share Swap Agreements took place in 2020. The Original Share Swap was carried out with a view to further strengthen the long-term strategic relationship between AMTD and the Century City Group (which includes the Paliburg Group). The plan of the management of P&R was, at the time, that AMTD would help in its capitalization plan and could introduce investment opportunities to expand and diversify its investment portfolio and that P&R would seek to participate in commercial collaborative opportunities with AMTD.

As illustrated in (a) below, the recent share prices of AMTD were substantially lower than the original acquisition costs of P&R. The Share Swap allows P&R to dispose of the AMTD Shares at a substantial premium over the then closing prices at the time of entering into the AMTD Shares Transfer Agreement and to further consolidate P&R's control in Cosmopolitan. On 30 June 2023, the parties entered into the AMTD Shares Transfer Agreement and the Cosmo Shares Transfer Agreement to unwind the Original Share Swap. The consideration of each of the AMTD Shares Disposal and the Cosmo Shares Acquisition was agreed to be the same as the original acquisition consideration of each

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## LETTER FROM THE PALIBURG BOARD

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party under the Original Share Swap. In coming to the decision to unwind the Original Share Swap, the management of P&R considered, in particular, the following factors:

- (a) The Share Swap allows P&R to dispose of the AMTD Shares at the original acquisition cost of US\$8.45 per AMTD Sale Share, which represents a significant premium over the then closing prices of AMTD ADS. The price per AMTD Sale Share represents (i) a premium of approximately 976.4% over the closing price of US\$1.57 per AMTD ADS (equivalent to US\$0.785 per AMTD Share) as at 29 June 2023, being the last trading day prior to the date of the AMTD Shares Transfer Agreement; (ii) a premium of approximately 971.0% over the average closing price of US\$1.578 per AMTD ADS (equivalent to US\$0.789 per AMTD Share) for the five trading days up to and including 29 June 2023; and (iii) a premium of approximately 638.6% over the average closing price of US\$2.288 per AMTD ADS (equivalent to US\$1.144 per AMTD Share) for the 12 months up to and including 29 June 2023.
- (b) In return, the Paliburg Group could further consolidate its control in Cosmopolitan at the original price of the Cosmo Sale Shares. The price per Cosmo Sale Share represents (i) a premium of approximately 17.2% over the closing price of HK\$1.45 per Existing Cosmo Share on 29 June 2023, being the last trading day prior to the date of the Cosmo Shares Transfer Agreement; (ii) a premium of approximately 12.0% over the average closing price of HK\$1.518 per Existing Cosmo Share for the five trading days up to and including 29 June 2023, being the last trading day prior to the date of the Cosmo Shares Transfer Agreement; and (iii) a premium of approximately 28.7% over the average closing price of HK\$1.322 per Existing Cosmo Share for the 12 months up to and including 29 June 2023, being the last trading day prior to the date of the Cosmo Shares Transfer Agreement.
- (c) For illustrative purpose, based on the respective closing prices as at 29 June 2023, the market value of the Cosmo Sale Shares was approximately HK\$534.1 million, equivalent to approximately 9.1 times to the market value of the AMTD Sale Shares of approximately US\$7.5 million (equivalent to approximately HK\$58.5 million). Thus, the settlement of the consideration of the Cosmo Shares Acquisition by way of the AMTD Shares Disposal is in the interests of P&R.
- (d) A strategic co-operative relationship with the AMTD group has been built over the past few years, including the set up of a joint venture by P&R and the AMTD group to co-owning iclub AMTD Sheung Wan Hotel in Hong Kong. Apart from the AMTD Sale Shares under the AMTD Shares Disposal, each of P&R Finance, Regal and Cosmopolitan held 5,674,000 AMTD Shares, 601,724 AMTD Shares and perpetual securities of AMTD in the principal sum of US\$14.1 million, and 6,069,000 AMTD Shares, respectively, as at the Latest Practicable Date.

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## LETTER FROM THE PALIBURG BOARD

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- (e) The co-operative relationship between the Paliburg Group and the AMTD group is expected to continue after the completion of the Share Swap, including (i) co-owning iclub AMTD Sheung Wan Hotel; and (ii) introducing and referring potential investment and capital market opportunities. The Share Swap is not expected to affect the established relationship with the AMTD group nor it is expected to impede any future co-operation with the AMTD group should suitable opportunities arise.

Having considered the above factors, the Paliburg Directors are of the view that the implementation of the Share Swap to unwind the Original Share Swap is in the interests of Paliburg and the Paliburg Shareholders as a whole and the terms (including consideration) of the Share Swap are fair and reasonable and in the interests of the Paliburg Shareholders.

Having considered the above factors and noting the co-operative relationship established with the AMTD group over the years, the contemplated Share Swap is considered as an integral part of the portfolio investment strategy review with a view to streamlining the capital structure, and if future circumstances warrant, disposal of the remaining interests in the AMTD securities held by P&R Finance, Regal and Cosmopolitan may be considered.

## II. POSSIBLE SECURITIES TRANSACTIONS

### A. THE COSMO BONUS ISSUE

The 368,320,000 Existing Cosmo Shares to be acquired under the Cosmo Shares Transfer Agreement represent approximately 5.76% of the issued ordinary shares of Cosmopolitan as at the date of the Joint Announcement and the Latest Practicable Date. Assuming there would be no other changes in the share capital of Cosmopolitan, the Cosmo Shares Acquisition could not proceed as the percentage of the issued ordinary share capital of Cosmopolitan held in the hands of the public would be reduced to less than 25% as prescribed by Rule 8.08(1)(a) of the Listing Rules. In order to maintain at least 25% of the total number of issued ordinary share capital of Cosmopolitan in the hands of the public immediately after the completion of the Cosmo Shares Acquisition as required by the Listing Rules, the Cosmopolitan Board proposed to implement the Cosmo Share Consolidation and the Cosmo Bonus Issue to issue the Cosmo Bonus Shares with an option to elect to receive the Cosmo Bonus CNs.

Subject to the Cosmo Share Consolidation becoming effective, Cosmopolitan proposed to implement the Cosmo Bonus Issue (i) for every one (1) Cosmo Consolidated Share held by the Qualifying Cosmopolitan Shareholders to issue two (2) Cosmo Bonus Shares, with an option to elect to receive one unit of the Cosmo Bonus CN with a face notional value of HK\$0.10 each in lieu of every Cosmo Bonus Share; and (ii) for every one (1) Cosmo Consolidated Convertible Preference Share held by the Qualifying Cosmopolitan Shareholders to issue two (2) Cosmo Bonus Shares, with an option to elect to receive one unit of the Cosmo Bonus CN with a face notional value of HK\$0.10 each in lieu of every Cosmo Bonus Share.

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## LETTER FROM THE PALIBURG BOARD

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The principal terms of the Cosmo Bonus CNs are set out below:

Principal amount	Up to an amount equal to the maximum number of the Cosmo Bonus Shares issuable under the Cosmo Bonus Issue, multiplied by the denomination of HK\$0.10 per unit of the Cosmo Bonus CN.
Form and denomination	The Cosmo Bonus CNs will be issued in registered form in the denomination of HK\$0.10 each.
Voting rights	The Cosmo Bonus CNs will not entitle the Cosmo Bonus CN Holders to attend or vote at general meetings of Cosmopolitan.
Conversion	<p>The Cosmo Bonus CNs will be convertible into fully paid Cosmo Consolidated Shares at any time at an initial conversion price of HK\$0.10 after their issue until maturity subject to the below restriction.</p> <p>If and to the extent that the minimum public float requirements in respect of the Cosmo Consolidated Shares under the Listing Rules could not be complied with immediately after the purported exercise of the conversion rights of any holder of the Cosmo Bonus CNs, such holder shall not be entitled to exercise such conversion rights.</p>
Maturity and redemption	<p>Any Cosmo Bonus CNs outstanding as at the 30th anniversary of the date of issue of the Cosmo Bonus CNs will be redeemed at 100% of their principal amounts then outstanding.</p> <p>Prior to the maturity date, Cosmopolitan may at its discretion (without obtaining consent from the Cosmo Bonus CN Holders) either compulsorily redeem or demand compulsory conversion of the remaining Cosmo Bonus CNs if at least eighty (80) per cent of the Cosmo Bonus CNs originally issued pursuant to the Deed Poll have been converted.</p>
Conversion price	<p>Initially HK\$0.10.</p> <p>The conversion price will be subject to adjustments for share consolidations, share subdivisions, redesignation or re-classification of share into other securities, capitalisation issues, capital distributions, rights issues of securities, modification of rights of conversion, exchange or subscription of any securities and issue of new securities.</p>

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## LETTER FROM THE PALIBURG BOARD

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### Interest

The Cosmo Bonus CNs will bear interest.

From and after the date of issue of the Cosmo Bonus CNs, cumulative interest shall accrue in arrears at a fixed rate of 2.0% per annum on the outstanding principal amount of the Cosmo Bonus CNs. Holders of every board lot of the Existing Cosmo Shares who have elected to receive Cosmo Bonus CNs will receive Cosmo Bonus CNs in principal amount of HK\$40.0 which will have accrued interest of HK\$0.80 per annum. Interest accrued shall be paid on the anniversary date of the issue of the Cosmo Bonus CNs of each calendar year (“**Interest Payment Date**”) unless the relevant Cosmo Bonus CNs are converted or redeemed before such Interest Payment Date, and subject to deferral by Cosmopolitan which may, at its sole discretion, elect to defer payment (in whole or in part) of any accrued interest on any Cosmo Bonus CNs which are otherwise scheduled to be paid on an Interest Payment Date in accordance with the Deed Poll. To the extent Cosmopolitan has elected to defer the payment of any accrued interest in respect of any Interest Payment Date, any and all deferred interest shall accumulate on the relevant Interest Payment Date, and remain as arrears of accumulated interest on the Cosmo Bonus CNs until fully paid.

The payment of interest under the Cosmo Bonus CNs is not conditional on whether Cosmopolitan declares or pays any dividend to the Cosmopolitan Shareholders. Declaration and payment of cash dividend or distribution to the Cosmopolitan Shareholders would be disabled in accordance with the Deed Poll if there is any outstanding cumulative unpaid interest accrued on the Cosmo Bonus CNs. If Cosmopolitan declares, pays or makes a cash dividend or distribution on any shares of Cosmopolitan, Cosmopolitan shall pay, at the same time or no later than such time as the dividend or distribution is paid or made, to the Cosmo Bonus CN Holders the lower amount of (i) the sums that the Cosmo Bonus CN Holders would receive on an as converted basis assuming all Cosmo Bonus CNs of the relevant Cosmo Bonus CN Holders had been converted into shares of Cosmopolitan and (ii) the then accumulated accrued interest, to satisfy, discharge or pay so much of the arrears of accumulated interest in accordance with the Deed Poll. Any unpaid parts of arrears of accumulated interest or interest accrued shall remain as arrears of interest accumulated on the Cosmo Bonus CNs.

### Listing

No listing will be sought for the Cosmo Bonus CNs.

### Transferability

Freely transferrable in accordance with the Deed Poll. No renounceable certificate or allotment letter will be issued.

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## LETTER FROM THE PALIBURG BOARD

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### Other rights

The Cosmo Bonus CN Holders have no rights or entitlements to participate in any dividend or other distribution (in cash or in kind), capitalization issue or rights issue for the Cosmopolitan Shareholders.

For further details of the Cosmo Share Consolidation and the Cosmo Bonus Issue, please refer to the Joint Announcement.

### **B. POSSIBLE SECURITIES TRANSACTIONS**

The Cosmo Bonus CNs will be convertible into fully paid Cosmo Consolidated Shares at any time after their issue until maturity, subject to compliance with the minimum public float requirements under the Listing Rules. The Possible Securities Transactions allow the Paliburg Group to increase its shareholding interests in Cosmopolitan by way of conversion of the Cosmo Bonus CNs into Cosmo Bonus CN Shares.

Save for 2,295,487,356 Cosmo Convertible Preference Shares and Cosmo Convertible Bonds in the principal amount of HK\$300.0 million held by certain wholly-owned subsidiaries of P&R which in turn is a subsidiary of Paliburg, no other convertible securities of Cosmopolitan were held by Paliburg as at the Latest Practicable Date.

Upon the conversion of any of the Cosmo Bonus CNs to be received by Paliburg and P&R, a subsidiary of Paliburg, under the Cosmo Bonus Issue, this will constitute an acquisition of the Cosmo Consolidated Shares by the Paliburg Group under the Listing Rules. The impact of the full conversion of the Cosmo Bonus CNs, the Cosmo Consolidated Preference Shares and the Cosmo Convertible Bonds on the shareholding interests of Paliburg and P&R is illustrated in the last column of the shareholding table set out in “II. Possible Securities Transactions – D. Shareholding structure of Cosmopolitan” based on the assumptions stated in that section.

In order to maintain at least 25% of the total number of issued Cosmo Consolidated Shares in the hands of the public immediately after the completion of the Cosmo Shares Acquisition as required by the Listing Rules, each of the Cosmopolitan Controlling Shareholders has confirmed that it will elect to receive, or procure that the companies controlled by it which hold the Existing Cosmo Shares and the Cosmo Convertible Preference Shares will elect to receive, the Cosmo Bonus CNs in lieu of all of their entitlements to the Cosmo Bonus Shares. Pursuant to the Cosmo Shares Transfer Agreement, the Cosmo Shares Vendor agreed that in respect of its entitlements under the Cosmo Bonus Issue of approximately 73.7 million Cosmo Bonus Shares, it shall elect to take up the Cosmo Bonus CNs in the principal amount of approximately HK\$7.4 million, in lieu of the Cosmo Bonus Shares. Upon completion of the Cosmo Shares Transfer Agreement, the Cosmo Shares Vendor shall deliver the Cosmo Sale Shares together with the aforesaid Cosmo Bonus CNs in the principal amount of approximately HK\$7.4 million under the Cosmo Bonus Issue to Valuegood, subject to compliance with the minimum public float requirement under the Listing Rules.

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## LETTER FROM THE PALIBURG BOARD

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In coming to the decision to elect to receive the Cosmo Bonus CNs in lieu of the Cosmo Bonus Shares, the Paliburg Directors have considered the following factors:

- (a) The election to receive the Cosmo Bonus CNs will help to avoid any potential insufficiency of public float situation of Cosmopolitan as a result of the implementation of the Share Swap;
- (b) The Cosmo Bonus CNs are freely transferable and will be convertible into fully paid Cosmo Consolidated Shares at any time after their issue until maturity, which is the 30th anniversary of the date of issue of the Cosmo Bonus CNs, subject to the minimum public float requirements under the Listing Rules;
- (c) Although the Cosmo Bonus CNs will carry no voting rights at general meetings of Cosmopolitan, immediately after completion of the Cosmo Share Consolidation, the Cosmo Bonus Issue and the Cosmo Shares Transfer Agreement, the Cosmopolitan Controlling Shareholders will hold at least approximately 57.31% of the issued ordinary shares of Cosmopolitan and remain the controlling shareholders of Cosmopolitan;
- (d) The Cosmo Bonus CNs will bear interest at a fixed rate of 2.0% per annum on the outstanding principal amounts of the Cosmo Bonus CNs; and
- (e) The initial conversion price of the Cosmo Bonus CNs allows the conversion of the Cosmo Bonus CNs into the same number of Cosmo Bonus Shares the Cosmopolitan Controlling Shareholders entitled under the Cosmo Bonus Issue.

Having considered the above factors, the Paliburg Directors are of the view that the terms of the Cosmo Bonus CNs are fair and reasonable and the election to receive the Cosmo Bonus CNs in lieu of the Cosmo Bonus Shares is in the interests of Paliburg and the Paliburg Shareholders as a whole.

### **C. FINANCIAL EFFECTS OF THE POSSIBLE SECURITIES TRANSACTIONS**

As Cosmopolitan is a subsidiary of the Paliburg, all Cosmo Bonus CNs to be received by the Paliburg Group under the Cosmo Bonus Issue will be eliminated upon consolidation and all Cosmo Bonus CN Shares possibly acquired by the Paliburg Group upon the conversion of such Cosmo Bonus CNs will also be eliminated upon consolidation. Accordingly, there will be no effect of the Possible Securities Transactions on the consolidated profit and loss, or assets and liabilities of the Paliburg Group.

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## LETTER FROM THE PALIBURG BOARD

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### **D. SHAREHOLDING STRUCTURE OF COSMOPOLITAN**

Based on (i) the confirmation that the Cosmopolitan Controlling Shareholders and the Cosmo Shares Vendor will elect to receive the Cosmo Bonus CNs in lieu of the Cosmo Bonus Shares; (ii) assuming that no Cosmopolitan Shareholders and no Cosmo Convertible Preference Shareholders (who are not the Cosmopolitan Controlling Shareholders and the Cosmo Shares Vendor) will elect to receive the Cosmo Bonus CNs in lieu of the Cosmo Bonus Shares; (iii) assuming that there is no other change in the issued share capital of Cosmopolitan other than those indicated in the below table, the table below sets out the shareholding structure of Cosmopolitan (a) as at the Latest Practicable Date; (b) immediately after the completion of the Cosmo Share Consolidation; (c) immediately after the completion of the Cosmo Share Consolidation and the Cosmo Bonus Issue; (d) immediately after the completion of the Cosmo Share Consolidation, the Cosmo Bonus Issue and the Cosmo Shares Transfer Agreement; and (e) immediately after the completion of the Cosmo Share Consolidation, the Cosmo Bonus Issue, the Cosmo Shares Transfer Agreement and assuming full conversion of the Cosmo Bonus CNs, the Cosmo Consolidated Convertible Preference Shares and the Cosmo Convertible Bonds into the Cosmo Consolidated Shares.

## LETTER FROM THE PALIBURG BOARD

	As at the Latest Practicable Date	Immediately after the completion of the Cosmo Share Consolidation	Immediately after the completion of the Cosmo Share Consolidation and the Cosmo Bonus Issue	Immediately after the completion of the Cosmo Share Consolidation, the Cosmo Bonus Issue and the Cosmo Shares Transfer Agreement	Immediately after the completion of the Cosmo Share Consolidation, the Cosmo Bonus Issue and the Cosmo Shares Transfer Agreement	Immediately after the completion of the Cosmo Share Consolidation, the Cosmo Bonus Issue and the Cosmo Shares Transfer Agreement	Immediately after the completion of the Cosmo Share Consolidation, the Cosmo Bonus Issue and the Cosmo Shares Transfer Agreement
	No. of the Existing Cosmo Shares	No. of the Cosmo Consolidated Shares	No. of the Cosmo Consolidated Shares	No. of the Cosmo Consolidated Shares	No. of the Cosmo Consolidated Shares	No. of the Cosmo Consolidated Shares	No. of the Cosmo Consolidated Shares
	Shareholding percentage (approx.)	Shareholding percentage (approx.)	Shareholding percentage (approx.)	Shareholding percentage (approx.)	Shareholding percentage (approx.)	Shareholding percentage (approx.)	Shareholding percentage (approx.)
The Cosmopolitan Controlling Shareholders:							
Paliburg	533,333,332	53,333,333	53,333,333	53,333,333	53,333,333	53,333,333	160,000,000
Regal	1,065,191,332	106,519,133	106,519,133	106,519,133	106,519,133	106,519,133	319,557,400
P&R	3,154,167,480	315,416,748	315,416,748	315,416,748	352,248,748	352,248,748	1,970,392,450
Sub-total:	4,752,692,144	475,269,214	475,269,214	475,269,214	512,101,214	512,101,214	2,449,949,850
Cosmopolitan Directors:							
LO Chun To Jimmy	2,269,101	226,910	680,730	680,730	680,730	680,730	680,730
LO Po Man	1,380,000	138,000	414,000	414,000	414,000	414,000	414,000
Public:							
The Cosmo Shares Vendor	368,320,000	36,832,000	36,832,000	36,832,000	-	-	-
Other Cosmopolitan Shareholders	1,267,836,555	126,783,656	380,351,078	380,351,078	380,351,078	380,351,078	380,351,133
Total:	6,392,497,800	639,249,780	893,547,022	893,547,022	893,547,022	893,547,022	2,831,395,713
			100%	100%	100%	100%	100%
			5.76%	4.12%	0.00%	0.00%	0.00%
			19.83%	42.57%	42.57%	42.57%	13.43%
			8.34%	5.97%	5.97%	5.97%	5.65%
			16.66%	11.92%	11.92%	11.92%	11.29%
			49.34%	35.30%	35.30%	39.42%	69.59%
			74.34%	53.19%	53.19%	57.31%	86.53%

*Note:* The last column of the shareholding table is for illustrative purpose only. Pursuant to the terms of the Cosmo Bonus CNs, the Cosmo Convertible Bonds and the Cosmo Convertible Preference Shares, holders thereof shall not be entitled to exercise the conversion right if the minimum public float requirements under the Listing Rules cannot be complied with following such conversion.

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## LETTER FROM THE PALIBURG BOARD

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Save for the Cosmo Convertible Preference Shares and the Cosmo Convertible Bonds, there is no other convertible securities, warrants or options in respect of the Existing Cosmo Shares in issue as at the Latest Practicable Date.

As shown in the fourth column of the above table, the public Cosmopolitan Shareholders will hold approximately 42.57% of the issued ordinary shares of Cosmopolitan immediately after the completion of the Cosmo Share Consolidation, the Cosmo Bonus Issue and the Cosmo Shares Acquisition based on the aforesaid assumptions including there is no other change in the issued share capital of Cosmopolitan other than those indicated in the table.

The completion of the Cosmo Shares Transfer Agreement is conditional upon, among other things, the completion of the Cosmo Shares Acquisition which would not result in Cosmopolitan in breach of any laws, regulations and the Listing Rules. Given that the Cosmopolitan Controlling Shareholders and the Cosmo Shares Vendor have confirmed to elect to receive the Cosmo Bonus CNs in lieu of all of their entitlements to the Cosmo Bonus Shares, the completion of the Cosmo Share Transfer Agreement will take place on the first Business Day after the completion of the Cosmo Bonus Issue on the assumption that the elections made by other Qualifying Cosmopolitan Shareholders who are the public Cosmopolitan Shareholders to receive the Cosmo Bonus CNs, in lieu of the Cosmo Bonus Shares, relate to not more than 1,046,428,813 Existing Cosmo Shares held in aggregate, representing approximately 82.54% of the total Existing Cosmo Shares held by the public Cosmopolitan Shareholders (other than the Cosmo Shares Vendor), the 25% minimum public float will continue to be maintained immediately after the completion of the Cosmo Share Consolidation, the Cosmo Bonus Issue and the Cosmo Shares Transfer Agreement.

### III. LISTING RULES IMPLICATIONS

#### A. THE SHARE SWAP

As the highest applicable percentage ratio (as defined under the Listing Rules) for Paliburg in respect of the AMTD Shares Disposal is more than 25% but less than 75%, the AMTD Shares Disposal constitutes a major transaction for Paliburg and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Cosmo Shares Acquisition is more than 25% but less than 100% for Paliburg, the Cosmo Shares Acquisition constitutes a major transaction for Paliburg and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

#### B. POSSIBLE SECURITIES TRANSACTIONS

If and to the extent that the Cosmopolitan Controlling Shareholders convert the Cosmo Bonus CNs received under the Cosmo Bonus Issue, the acquisition of the Cosmo Bonus CN Shares will constitute a major transaction for Paliburg under Chapter 14 of the Listing Rules as the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Possible Securities Transactions is more than 25% but less than 100% and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE PALIBURG BOARD

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### C. WRITTEN SHAREHOLDERS' APPROVAL

To the best of the knowledge, information and belief of the Paliburg Directors having made all reasonable enquiries, no Paliburg Shareholder had a material interest in the Share Swap and the Possible Securities Transactions. As such, no Paliburg Shareholder is required to abstain from voting if a general meeting was convened to approve the Share Swap and the Possible Securities Transactions.

The Share Swap and the Possible Securities Transactions have been approved by way of written approval in accordance with Rule 14.44 of the Listing Rules by a closely allied group of the Paliburg Shareholders who in aggregate held approximately 74.6% of the issued share capital of Paliburg.

As at the Latest Practicable Date, the closely allied group of the Paliburg Shareholders comprises Mr. Lo Yuk Sui himself, who personally owned 90,078,014 ordinary shares of Paliburg, representing approximately 8.1% of the issued share capital of Paliburg, and companies wholly or majority owned and controlled by Mr. Lo Yuk Sui consisting of (i) Select Wise Holdings Limited, which owned 16,271,685 ordinary shares of Paliburg, representing approximately 1.5% of the issued share capital of Paliburg, (ii) Splendid All Holdings Limited, which owned 30,464,571 ordinary shares of Paliburg, representing approximately 2.7% of the issued share capital of Paliburg, (iii) Almighty International Limited, which owned 346,994,526 ordinary shares of Paliburg, representing approximately 31.1% of the issued share capital of Paliburg, (iv) Century City Holdings Limited, which owned 30,420,133 ordinary shares of Paliburg, representing approximately 2.7% of the issued share capital of Paliburg, (v) Cleverview Investments Limited, which owned 180,811,470 ordinary shares of Paliburg, representing approximately 16.2% of the issued share capital of Paliburg, (vi) Gold Concorde Holdings Limited, which owned 29,121,847 ordinary shares of Paliburg, representing approximately 2.6% of the issued share capital of Paliburg, (vii) Meylink Limited, which owned 48,583,000 ordinary shares of Paliburg, representing approximately 4.4% of the issued share capital of Paliburg, (viii) Smartaccord Limited, which owned 8,410,571 ordinary shares of Paliburg, representing approximately 0.8% of the issued share capital of Paliburg, and (ix) Splendour Corporation, which owned 49,783,000 ordinary shares of Paliburg, representing approximately 4.5% of the issued share capital of Paliburg.

Accordingly, no shareholders' meeting of Paliburg will be convened for the purpose of approving the Share Swap and the Possible Securities Transactions.

### D. ACCOUNTANT'S REPORT OF COSMOPOLITAN

Given that Cosmopolitan is a company listed on the Main Board of the Stock Exchange, Paliburg is exempted from including the accountant's report of Cosmopolitan in this circular under Rule 4.01(3) of the Listing Rules.

## IV. GENERAL INFORMATION

### A. INFORMATION ON THE PALIBURG GROUP

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

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## LETTER FROM THE PALIBURG BOARD

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

P&R is a 50/50 owned joint venture of Paliburg and Regal and a subsidiary of Century City and Paliburg.

### **B. INFORMATION ON AMTD, THE AMTD SHARES PURCHASER AND THE COSMO SHARES VENDOR**

According to the AMTD Shares Purchaser, AMTD is a financial institution and digital solutions group connecting companies and investors from Asia, including China and Hong Kong as well as the ASEAN markets with global capital markets. Its financial services plus digital solutions platform addresses different clients' diverse and inter-connected financial needs and digital requirements. 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 except for voting right and conversion right. Each AMTD Class A Share is entitled to one vote and is not convertible into AMTD Class B Share. Each AMTD Class B Share is entitled to twenty votes and is convertible into one AMTD Class A Share. Every two AMTD Class A Shares are convertible into one AMTD ADS. The AMTD ADSs are listed on the New York Stock Exchange and the AMTD Class A Shares are listed on the Singapore Stock Exchange. AMTD Shares Purchaser is a conglomerate with core business portfolio to span across financial services, digital solutions, media and entertainment, education and training, and premium real estate assets. Cosmo Shares Vendor is an investment holding company and an indirect non-wholly owned subsidiary of the AMTD Shares Purchaser.

According to the prospectus disclosure of AMTD dated 21 April 2023, Infinity Power Investments Limited, the single largest shareholder of the AMTD Shares Purchaser, directly held 32.9% of the issued and outstanding shares of the AMTD Shares Purchaser. Infinity Power Investments Limited is wholly-owned by Dr. Calvin Choi who is a director of the AMTD Shares Purchaser. According to the AMTD Shares Purchaser, other than Infinity Power Investments Limited, there are another six shareholders individually holding less than 25% interests in AMTD Shares Purchaser.

The Cosmo Shares Vendor is a 50% shareholder of Dense Globe Investments Limited, an associated company of P&R, of which P&R is the other 50% shareholder, and providing shareholder loan in the amount of approximately HK\$410.6 million as at the Latest Practicable Date. Dense Globe Investments Limited through its wholly-owned subsidiary indirectly owns and operates iclub AMTD Sheung Wan Hotel in Hong Kong. Apart from the AMTD Sale Shares, P&R Finance, Regal and Cosmopolitan also hold certain other AMTD Shares and perpetual securities of AMTD, as disclosed in "I. The Share Swap - E. Reasons for and benefits of the Share Swap" above.

Save as disclosed above, to the best of the knowledge, information and belief of the Paliburg Directors, after having made all reasonable enquiries, each of the AMTD Shares Purchaser and the Cosmo Shares Vendor is an Independent Third Party to Paliburg.

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**LETTER FROM THE PALIBURG BOARD**

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**ADDITIONAL INFORMATION**

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

Yours faithfully,  
For and on behalf of the board of directors of  
**Paliburg Holdings Limited**  
**Lo Yuk Sui**  
*Chairman*

**1. FINANCIAL INFORMATION OF THE PALIBURG GROUP**

Financial information of the Paliburg Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 were set out in the relevant annual reports and interim results announcement of Paliburg published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Paliburg's website ([www.paliburg.com.hk](http://www.paliburg.com.hk)). Please also see below links to the relevant interim results announcement and annual reports:

- Interim results announcement of Paliburg for the six months ended 30 June 2023 published on 25 August 2023 (pages 24 to 40):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0825/2023082501733.pdf>

- Annual report of Paliburg for the year ended 31 December 2022 (pages 54 to 181):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702373.pdf>

- Annual report of Paliburg for the year ended 31 December 2021 (pages 56 to 185):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701858.pdf>

- Annual report of Paliburg for the year ended 31 December 2020 (pages 56 to 189):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042802028.pdf>

Each of the aforesaid consolidated financial statements of the Paliburg Group are incorporated by reference to this circular and forms part of this circular.

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 31 July 2023, being the latest practicable date for the purpose of this statement of indebtedness, the Paliburg Group had outstanding borrowings of approximately HK\$19,607.2 million which represented (i) bank loans of approximately HK\$19,114.3 million secured by certain of the Paliburg Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances; (ii) secured notes of US\$60.0 million (approximately HK\$468.0 million) issued by the Cosmopolitan Group; and (iii) lease liabilities of HK\$24.9 million.

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

As at 31 July 2023, the Paliburg Group had contingent liabilities for corporate guarantee provided in respect of a banking facility granted to an associate in the amount of HK\$400.0 million which was fully utilized. In addition, a guarantee was given to a bank by the Paliburg Group for a demand and performance bond issued by the bank in relation to a property development project amounting to HK\$15.0 million as at 31 July 2023.

Moreover, the Cosmopolitan Group also provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB475.0 million (approximately HK\$518.2 million) as at 31 July 2023.

Save as disclosed above and apart from intra-group liabilities, the Paliburg Group did not have, as at the close of business on 31 July 2023, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance lease commitments, or any guarantees or other material contingent liabilities.

### **3. WORKING CAPITAL**

The Paliburg Directors, after due and careful consideration, are of the opinion that after taking into account the internal financial resources and present banking facilities available to the Paliburg Group, the Paliburg Group has sufficient working capital for its requirements for at least the next twelve months from the date of this circular in the absence of unforeseeable circumstances.

Paliburg has obtained the relevant confirmation in respect of the sufficiency of working capital of the Paliburg Group from its auditor as required under Rule 14.66(12) of the Listing Rules.

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

As disclosed in Paliburg's interim results announcement dated 25 August 2023, for the six months ended 30 June 2023, the Paliburg Group recorded a consolidated loss attributable to shareholders of HK\$383.1 million, while for the comparable six months in 2022, an attributable profit to shareholders of HK\$230.9 million was attained. Although the Paliburg Group has operated profitably in its two principal business segments comprising property and hotel businesses, the results contributed by those two segments for the six months ended 30 June 2023 were relatively lower than those in the corresponding period last year. Due to the substantial increase in the Paliburg Group's financial costs on account of the rapid hike in the interest rates in Hong Kong during the recent months as well as the significant amount of depreciation charges required to be provided on the Paliburg Group's hotel properties to conform to accounting standards, the Paliburg Group has recorded a loss attributable to shareholders for the six months ended 30 June 2023.

Save as disclosed above, the Paliburg Directors confirm that there has been no material adverse change in the financial or trading position of the Paliburg Group since 31 December 2022, the date to which the latest published audited consolidated accounts of the Paliburg Group were made up.

**5. FINANCIAL AND TRADING PROSPECTS OF THE PALIBURG GROUP****Regal Group**

The Hong Kong Government is continuing to support the economy through different measures, including the distribution of consumption vouchers to boost domestic consumption. After the reopening of the borders, the Hong Kong Government is looking to deepen Hong Kong's linkages with Mainland China and to leverage its position as a key gateway between onshore and offshore investors. The Hong Kong Government has recently revised its forecast on the annual economic growth rate of Hong Kong for 2023 from 3.5% - 5.5% to 4.0% - 5.0%. Whether an economic growth at the higher end can be achieved will invariably depend on the external economic conditions. Business environment for Hong Kong for the second half of 2023 will remain very challenging.

In late July 2023, the United States Federal Reserve again raised the interest rate by 25 basis points, which was the 11th rate hike since 2022, marking the highest level of United States central bank's benchmark interest rate in the past 22 years. It is expected that due to the currency peg, the interest rates in Hong Kong might continue to stay at a relatively high level in the near term, which could have an adverse impact on the distributable income of Regal Real Estate Investment Trust ("Regal REIT").

On a brighter side, the Hong Kong Government will continue to launch different initiatives to boost the tourism industry as well as the economy of Hong Kong as a whole. Vast business opportunities exist for Hong Kong as it further integrates with the Mainland China, particularly when China's economic growth accelerates. The Hong Kong Tourism Board has recently projected that the total number of incoming visitors to Hong Kong for 2023 as a whole will increase to 30 million. Though there is still a long way to catch up with the aggregate visitor arrivals of over 65 million recorded in year 2018, it is in any event a positive drive for the hotel industry in Hong Kong.

The manager of Regal REIT will continue to work closely with the hotel manager in developing strategies to cope with the market challenges and it is expected that the property portfolio of Regal REIT will continue to yield steadily increasing rental revenues.

The operating performance of the Regal Group's hotel operations in July and August 2023 has been encouraging, with progressive improvements being achieved both in the hotels' average occupancy levels as well as average room rates.

The Regal Group is optimistic in the recovering prospects of the tourist and hotel markets in Hong Kong and that the Regal Group's hotel operations will continue to contribute a steady inflow of substantial revenues.

**Cosmopolitan Group**

The policies introduced by government authorities in earlier years to restrict purchases of commodity properties in many Mainland China cities have been gradually released. However, due to the concerns over the possible slowdown in the economic growth in China, many home purchasers and investors are taking a wait-and-see attitude, which have suppressed the demands for different types of properties. At present, many real estate developers in China are still encountering severe liquidity strain on account of the slackened sales revenues and the difficulty to access new financings or re-financings. The central government of China has recently reasserted the importance of the real estate industry as one of its economic pillars. It is believed that the central government of China will continue to implement supportive policies to ease market liquidity and to restore market confidence, with an aim to reinstating a steady and healthily growing real estate industry.

The Cosmopolitan Group remains optimistic of the prospects of the real estate market in China in the long term and anticipates that the remaining components in the Cosmopolitan Group's two development projects in Chengdu and Tianjin will be able to generate substantial revenues when the market conditions revive.

**Paliburg Group**

The Paliburg Group owns a solid portfolio of quality assets that are well diversified both in business scope as well as geographical coverage. Although the economic environment in Hong Kong and overseas in the short term will be challenging, the Paliburg Group is confident that it will be able to overcome these challenges and to regain growth in pace with the anticipated recovery in the overall economy.

**1. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
OF THE PALIBURG GROUP****Introduction**

The following unaudited pro forma statement of assets and liabilities of the Paliburg Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared on the basis of the notes set out below for the purposes of illustrating the effects on the assets and liabilities of the Paliburg Group as if the Share Swap and Possible Securities Transactions had been completed on 30 June 2023.

The Unaudited Pro Forma Financial Information as at 30 June 2023 has been prepared based on (i) the unaudited condensed consolidated statement of financial position of Paliburg as at 30 June 2023 as set out in its published announcement of 2023 interim results for the six months ended 30 June 2023; and (ii) the pro forma adjustments prepared to reflect the effects of the Share Swap and Possible Securities Transactions as explained in the notes set out below that are directly attributable to the Share Swap and Possible Securities Transactions and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of Paliburg as set out in its published announcement of 2023 interim results for the six months ended 30 June 2023, and other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Paliburg Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Paliburg Group had the Share Swap and Possible Securities Transactions been completed as at 30 June 2023 or any future date.

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE  
PALIBURG GROUP

	The Paliburg Group as at 30 June 2023						Unaudited pro forma statement of assets and liabilities of the Paliburg Group
	Pro forma adjustments						
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment	6,527.1	-	-	-	-	-	6,527.1
Investment properties	3,122.0	-	-	-	-	-	3,122.0
Right-of-use assets	15,592.4	-	-	-	-	-	15,592.4
Properties under development	898.2	-	-	-	-	-	898.2
Investments in associates	398.9	-	-	-	-	-	398.9
Investments in Cosmo Sale Shares	-	-	-	626.1	-	(626.1)	(a) -
Investments in Cosmo Bonus CNs	-	-	-	-	148.3	(148.3)	(b) -
Financial assets designated at fair value through other comprehensive income	335.3	567.3	(626.1)	-	-	-	276.5
Financial assets at fair value through profit or loss	745.5	-	-	-	-	-	745.5
Loans receivable	191.7	-	-	-	-	-	191.7
Finance lease receivable	99.3	-	-	-	-	-	99.3
Debtors, deposits and prepayments	274.9	-	-	-	-	-	274.9
Deferred tax assets	47.7	-	-	-	-	-	47.7
Trademark	610.2	-	-	-	-	-	610.2
Other intangible assets	6.8	-	-	-	-	-	6.8
Total non-current assets	28,850.0	567.3	(626.1)	626.1	148.3	(774.4)	28,791.2
<b>CURRENT ASSETS</b>							
Properties under development	2,461.7	-	-	-	-	-	2,461.7
Properties held for sale	6,200.4	-	-	-	-	-	6,200.4
Inventories	52.2	-	-	-	-	-	52.2
Loans receivable	35.1	-	-	-	-	-	35.1
Finance lease receivable	5.3	-	-	-	-	-	5.3
Debtors, deposits and prepayments	466.9	-	-	-	-	-	466.9
Financial assets at amortised cost	20.0	-	-	-	-	-	20.0
Financial assets at fair value through profit or loss	360.3	-	-	-	-	-	360.3
Derivative financial instruments	92.5	-	-	-	-	-	92.5
Tax recoverable	7.6	-	-	-	-	-	7.6
Restricted cash	407.5	-	-	-	-	-	407.5
Pledged time deposits and bank balances	205.2	-	-	-	-	-	205.2
Time deposits	698.3	-	-	-	-	-	698.3
Cash and bank balances	963.3	-	-	-	-	-	963.3
Total current assets	11,976.3	-	-	-	-	-	11,976.3

	The Paliburg Group as at 30 June 2023						Unaudited pro forma statement of assets and liabilities of the Paliburg Group
	Pro forma adjustments						
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
<b>CURRENT LIABILITIES</b>							
Creditors and accruals	(683.4)	-	-	-	-	-	(683.4)
Contract liabilities	(521.9)	-	-	-	-	-	(521.9)
Lease liabilities	(12.4)	-	-	-	-	-	(12.4)
Deposits received	(178.5)	-	-	-	-	-	(178.5)
Interest bearing bank borrowings	(5,906.4)	-	-	-	-	-	(5,906.4)
Tax payable	(403.5)	-	-	-	-	-	(403.5)
Total current liabilities	(7,706.1)	-	-	-	-	-	(7,706.1)
NET CURRENT ASSETS	4,270.2	-	-	-	-	-	4,270.2
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	33,120.2	567.3	(626.1)	626.1	148.3	(774.4)	33,061.4
<b>NON-CURRENT LIABILITIES</b>							
Creditor and deposits received	(94.9)	-	-	-	-	-	(94.9)
Lease liabilities	(13.4)	-	-	-	-	-	(13.4)
Interest bearing bank borrowings	(13,452.5)	-	-	-	-	-	(13,452.5)
Other borrowings	(468.0)	-	-	-	-	-	(468.0)
Deferred tax liabilities	(1,589.8)	-	-	-	-	-	(1,589.8)
Total non-current liabilities	(15,618.6)	-	-	-	-	-	(15,618.6)
Net assets	17,501.6	567.3	(626.1)	626.1	148.3	(774.4)	17,442.8

*Notes:*

- The balances have been extracted from the unaudited condensed consolidated statement of financial position of Paliburg as at 30 June 2023 as set out in its announcement of 2023 interim results for the six months ended 30 June 2023.
- The adjustment represents the recognition of the fair value gain on the AMTD Sale Shares in other comprehensive income as at 30 June 2023, being the difference between the carrying amount of the AMTD Sale Shares of HK\$58.8 million as at 30 June 2023 and their fair value of HK\$626.1 million assuming the consideration for the AMTD Sale Shares to be their fair value at 30 June 2023.
- The adjustment represents the derecognition of the AMTD Sale Shares as financial assets designated at fair value through other comprehensive income upon completion of the AMTD Shares Transfer Agreement. The consideration for the AMTD Shares Disposal of HK\$626.1 million, satisfied by the acquisition of the Cosmo Sale Shares, is assumed to be the fair value of the AMTD Sale Shares at 30 June 2023.

4. The adjustment represents the recognition of the Cosmo Sale Shares as non-current assets upon completion of the Cosmo Shares Transfer Agreement. The consideration for the Cosmo Sale Shares of HK\$626.1 million, satisfied by the transfer of the AMTD Sale Shares, is assumed to be the fair value of the Cosmo Sale Shares at 30 June 2023.
5. The adjustment represents the recognition of the Cosmo Bonus CNs at fair value to be received by the Paliburg Group after electing to receive the Cosmo Bonus CNs in lieu of the Cosmo Bonus Shares in respect of all of its entitlement under the Cosmo Bonus Issue. On the basis of 512.1 million Cosmo Consolidated Shares (including 36.8 million Cosmo Consolidated Shares to be received by the Paliburg Group upon completion of the Cosmo Shares Transfer Agreement) and 229.5 million Cosmo Consolidated Convertible Preference Shares held by the Paliburg Group immediately after the completion of the Cosmo Share Consolidation but before the Cosmo Bonus Issue, 1,483.3 million units of the Cosmo Bonus CNs will be received by the Paliburg Group after the Cosmo Bonus Issue and the principal amount of HK\$148.3 million of the Cosmo Bonus CNs, based on the denomination amount of HK\$0.10 per unit of Cosmo Bonus CN, is assumed to be the fair value of the Cosmo Bonus CNs at 30 June 2023.
6. The followings represent adjustments to the Cosmo Sale Shares and the Cosmo Bonus CNs upon consolidation of the financial statements of Cosmopolitan:
  - (a) the elimination of the Cosmo Sale Shares acquired upon completion of the Cosmo Shares Transfer Agreement.
  - (b) the elimination of the Cosmo Bonus CNs to be received by the Paliburg Group after electing to receive the Cosmo Bonus CNs in lieu of the Cosmo Bonus Shares in respect of all of its entitlement under the Cosmo Bonus Issue.
7. There will be no effect of the Possible Securities Transactions on the pro forma assets and liabilities of the Paliburg Group as all Cosmo Bonus CNs to be received by the Paliburg Group under the Cosmo Bonus Issue will be eliminated upon consolidation and all Cosmo Bonus CN Shares possibly acquired by the Paliburg Group upon the conversion of such Cosmo Bonus CNs will also be eliminated upon consolidation.

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

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25 September 2023

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

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

To the Directors of Paliburg Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Paliburg Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated assets and liabilities as at 30 June 2023 and related notes as set out on pages 25 to 28 of the circular dated 25 September 2023 issued by the Company (the “Circular”) (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages 25 to 28 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed transactions as set out in the Circular on the Group’s financial position as at 30 June 2023 as if the transactions had taken place at 30 June 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s interim financial information for the six months ended 30 June 2023, set out in the interim results announcement, on which no interim review report has been published.

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

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

**Our independence and quality management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants' responsibilities**

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

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

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

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

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

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

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

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

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

### **Opinion**

In our opinion:

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

Ernst & Young  
*Certified Public Accountants*  
Hong Kong

25 September 2023

**I. FINANCIAL INFORMATION OF THE COSMOPOLITAN GROUP**

Financial information of the Cosmopolitan Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 were set out in the relevant annual reports and interim results announcement, which are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of Cosmopolitan ([www.cosmoholdings.com](http://www.cosmoholdings.com)). Please also see below links to the relevant interim results announcement and annual reports:

- Interim results announcement of the Cosmopolitan Group for the six months ended 30 June 2023 published on 25 August 2023 (pages 13 to 28):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0825/2023082501721.pdf>

- Annual report of the Cosmopolitan Group for the year ended 31 December 2022 (pages 38 to 124):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702270.pdf>

- Annual report of the Cosmopolitan Group for the year ended 31 December 2021 (pages 39 to 128):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701832.pdf>

- Annual report of the Cosmopolitan Group for the year ended 31 December 2020 (pages 39 to 128):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801973.pdf>

**II. MANAGEMENT DISCUSSION AND ANALYSIS ON THE COSMOPOLITAN GROUP**

The following information was extracted from the annual reports of Cosmopolitan for the three years ended 31 December 2020, 2021 and 2022 and the interim results announcement of Cosmopolitan for the six months ended 30 June 2023:

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**Business review**

The Cosmopolitan Group is principally engaged in property development and investment, which are mainly focused in the PRC, and other investments including financial assets investments.

Although faced with a very difficult and challenging environment from the beginning of 2020, both locally and internationally, the central government of China took prompt measures to control the spread of the COVID-19 pandemic and implemented different policies to stabilise employment, foreign trade and domestic demand. These initiatives had enabled the economy in China to recover steadily since the second quarter of 2020. Overall for the year of 2020, China attained a year-on-year growth of 2.3% in its Gross Domestic Product, which was the only major economy in the world that managed to achieve positive economic growth in 2020.

Likewise, the property market in China also revived gradually after a sharp decline in the first two months of 2020. For the year as a whole, the overall transacted volume and average unit price of primary property commodity units were both maintained at steady levels as compared with the prior years. It was expected that the central government of China would continue its policy measures to restrain speculative activities on residential commodity units and to reduce the financial leverage levels of property developers as well as property purchasers, with an objective to ensuring that the real estate market in the Mainland China would grow healthily under a steady environment.

Up till 23 March 2021, substantially all the 1,555 residential units comprised in the ten residential towers in the third stage of the Regal Cosmopolitan City in Chengdu, China had been presold, at prices which were significantly higher than those achieved in the first and second stages of the development. The third stage development also contained commercial accommodations and car parking spaces and the presales of the shops and car parks had commenced in the second half of 2020. The entire third stage development was targeted to be completed in mid-2021. The remaining components of this composite development also included a 325-room hotel, a six-storey commercial complex and five towers of office accommodations, the development worked for which were all progressing steadily. One of the office towers was scheduled to be launched for presale in the second quarter of 2021, with the other four office towers to follow in phases.

As regards the other composite development project in China, the Regal Renaissance in Tianjin, the superstructure works of the two office towers and commercial podium were progressing smoothly as planned, which were targeted to be completed in the fourth quarter of 2022. Due to the changes in the market environment, the presale programme for one of the office towers had also been deferred to commence in the second quarter of 2021.

The Cosmopolitan Group had no immediate plans for material investments or capital assets, other than those as disclosed above.

A brief review on the property projects undertaken by the Cosmopolitan Group in the PRC and the Cosmopolitan Group's other investments is set out below.

### **Property development**

#### *Chengdu Project — Regal Cosmopolitan City*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

The superstructure and fitting-out works for the third stage of the development, consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces, were in steady progress and targeted to be completed around mid-2021. Substantially all the residential units in the third stage had been presold, at prices

which were significantly higher than those attained in the first and second stages of the development. Total sales proceeds amounted to approximately RMB2,029.2 million (HK\$2,423.1 million), of which approximately RMB1,951.8 million (HK\$2,330.6 million) had already been received by the Cosmopolitan Group as deposits under the presale contracts.

Presale of the shops in the third stage of about 2,350 square metres (25,300 square feet) had been launched in July 2020. Up to 23 March 2021, a total of 1,377 square meters (14,822 square feet) of shops had been presold under contracts, at aggregate sale considerations of approximately RMB48.5 million (HK\$57.9 million). Presale of 1,389 car parking spaces had also been launched in the third quarter of 2020. Up to 23 March 2021, a total of 235 car parking spaces had been presold under contracts, for aggregate sales proceeds of approximately RMB27.3 million (HK\$32.6 million).

The interior design works with a revised scheme for the 325-room hotel were progressing in full swing. The interior fitting-out works were scheduled to commence in the third quarter of 2021 and the hotel was anticipated to open in phases from the third quarter of 2022.

The construction works of the remaining commercial components within the development, comprising a six-storey commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) were in steady progress. The substructure and superstructure works were targeted to be completed in June 2021 and mid-2023, respectively. The market repositioning works of the six-storey commercial complex were in progress. Presale of one office tower consisting of 434 units with a total of about 20,000 square metres (215,200 square feet) was expected to be launched in the second quarter of 2021. The presale of the remaining four office towers consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet) would follow in phases.

#### *Tianjin Project — Regal Renaissance*

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

Nearly all of the residential units had been sold. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), was continuing steadily and sale contracts had been secured for some of the shop units. Certain parts of the commercial complex had in the meantime been leased out for rental income.

The superstructure works of the two office towers and their commercial podium were progressing and planned to be completed in the fourth quarter of 2022. Presale of one office tower consisting of 137 units with a total of about 17,530 square metres (188,700 square feet) was planned to be launched in the second quarter of 2021. The presale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), would be launched in phases thereafter. The market positioning works for the commercial podium were in progress.

*Xinjiang Project*

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu undertaken in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan Group had re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (1,228,700 square metres) would be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Cosmopolitan Group continued to maintain the re-forested area and communicate with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that had been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan Group in the relevant re-forestation contract remained valid and effective.

**Other investments**

*Investment in shares of AMTD*

The Cosmopolitan Group, through its wholly owned subsidiary incorporated in the PRC, entered into certain deposit agreements and loan agreements for the possible investment in a logistics services provider in the PRC, pursuant to which the Cosmopolitan Group had paid deposits and granted loans to the vendor and the target investee group, which amounted to RMB372.1 million (including interest receivable and net of tax provision) in the books of the Cosmopolitan Group as at 31 December 2019.

On 31 December 2019, the Cosmopolitan Group entered into an agreement with an independent purchaser for the disposal of its entire interests in those companies directly and indirectly owning such deposits and loans for a consideration of HK\$400.0 million. The transaction was duly completed on 31 March 2020 and the sale consideration received by the Cosmopolitan Group was applied to purchase 6,069,000 Class A ordinary shares of AMTD.

AMTD is a reputable financial services provider in the Asia Pacific, with dual listings on the New York Stock Exchange and the Singapore Stock Exchange. The Cosmopolitan Group expected to be able to leverage on the strategic co-operative relationship with AMTD to explore and capture new business and investment opportunities through its intensive business network. The AMTD shares were being held by the Cosmopolitan Group as equity investments at fair value through other comprehensive income.

*PRC Real Estate Company*

In July 2019, the Cosmopolitan Group acquired an 80% equity interest in and also provided pro rata shareholder's loan to an investee company incorporated in the PRC. The investee company purchased 10% equity interest in another PRC-incorporated real estate company that partners with various reputable real estate developers and undertakes joint developments for both industry specific

real estate and residential/commercial real estate in China. The Cosmopolitan Group anticipated that, through its participation in the investee company, the Cosmopolitan Group could have access to more business opportunities for property development in the PRC, either to be undertaken on its own or on a joint basis.

#### *Carbon Assets*

The Cosmopolitan Group entered into a memorandum of understanding (MOU) with certain independent third parties in June 2019 for the possible investment by the Cosmopolitan Group in an operating company principally engaged in the management and trading of tradable or transferable China Certified Emissions Reduction (Carbon Assets) in China.

Up to 31 July 2020, the last extended date of the MOU, no formal agreement had been entered into among the parties. The MOU had accordingly lapsed and was terminated.

#### **Financial review**

The Cosmopolitan Group recorded a loss attributable to the Cosmopolitan Shareholders of HK\$123.5 million for the year ended 31 December 2020, while for the preceding year, a loss of HK\$170.3 million was incurred.

#### **ASSETS VALUE**

As at 31 December 2020, the Cosmopolitan Group's net assets attributable to equity holders of the parent amounted to HK\$1,494.3 million, representing approximately HK\$0.18 per share (including ordinary share and convertible preference share).

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

##### **Funding and treasury policy**

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

The acquisition of the two ongoing development projects in the PRC in 2013 had been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. With an objective to align the due dates of the considerations payable with the latest progress and completion schedules of the two development projects, by virtue of the agreements entered into between the Cosmopolitan Group and the vendors and completed in 2016, (i) the consideration payables owing to one of the vendors were refinanced by new 5-year loan facilities, and (ii) the consideration payable owing to the other vendor was repaid through its subscription of the optional convertible bonds issued by the Cosmopolitan Group.

Construction and related costs for the property projects were principally financed by internal resources and proceeds from the presale of the units. Project financing might be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

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**Cash flows**

Net cash flows generated from operating activities during the year ended 31 December 2020 amounted to HK\$773.1 million. Net interest payment for the year amounted to HK\$86.8 million.

**Borrowings and gearing**

As at 31 December 2020, the Cosmopolitan Group had cash and bank balances and deposits of HK\$269.9 million and the Cosmopolitan Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK\$771.5 million.

As at 31 December 2020, the gearing ratio of the Cosmopolitan Group was 13.4%, representing the Cosmopolitan Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK\$771.5 million, as compared to the total assets of the Cosmopolitan Group of HK\$5,769.0 million.

Details of the maturity profile of the borrowings of the Cosmopolitan Group as of 31 December 2020 are shown below:

**1. Interest bearing bank borrowing**

	<b>2020</b>	
	<i>Maturity</i>	<i>HK\$ million</i>
<b>Current</b>		
Bank loan – secured	2021	<u>12.5</u>
Analysed into:		
Bank loan repayable within one year		<u>12.5</u>

The Cosmopolitan Group's facilities amounting to HK\$20.0 million, of which HK\$12.5 million had been utilised at 31 December 2020, were secured by the pledge of certain of the Cosmopolitan Group's bank balances and financial assets at fair value through profit or loss amounting to HK\$24.7 million in aggregate. As at 31 December 2020, the outstanding loan facilities of the Cosmopolitan Group bore interest at the Hong Kong Interbank Offered Rate plus an interest margin of 1.25% per annum. The interest bearing bank borrowing was denominated in Hong Kong dollars.

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**2. Other borrowings**

	<b>2020</b>
	<i>HK\$ million</i>
<b>Non-current</b>	
Other borrowings	—
<b>Current</b>	
Other borrowings	<u>535.9</u>

Other borrowings, comprising a term loan of HK\$535.9 million from a fellow subsidiary, were secured by the pledge over the equity interests in the relevant holding companies of the Cosmopolitan Group's property development projects and bore interest at 5% per annum. The term loan was repayable on 12 October 2021 and was classified as a current other borrowing as at 31 December 2020.

**3. Convertible bonds**

As at 31 December 2020, the Cosmopolitan Group had issued a total of two tranches of convertible bonds. Further details of the convertible bonds were set out as follows:

Purpose:	To provide additional capital to the Cosmopolitan Group		
Convertible bonds:	Extended CB 2017 (note (a))	CB 2021A (note (b))	CB 2021B (note (b))
Issue date:	11 October 2016*	12 October 2016	30 December 2016
Maturity date:	18 August 2021	18 August 2021	18 August 2021
Principal amount:	HK\$500,000,000	HK\$330,000,000	HK\$170,000,000
Coupon interest:	2.5% per annum, payable semi annually	3.5% per annum, payable semi annually	3.5% per annum, payable semi annually
Initial conversion price to ordinary shares of Cosmopolitan:	HK\$0.35 per share (subject to adjustment)	HK\$0.40 per share (subject to adjustment)	HK\$0.40 per share (subject to adjustment)

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Conversion period:	At any time from 11 October 2016 to 11 August 2021	At any time from 19 October 2016 to 11 August 2021	At any time from 6 January 2017 to 11 August 2021
Maximum number of shares of Cosmopolitan to be converted based on initial conversion price:	1,428,571,428	825,000,000	425,000,000
Status as at 31 December 2020:	Converted into 1,428,571,428 ordinary shares on 26 June 2020	No conversion happened	No conversion happened
Redemption:	If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 100% of their outstanding principal amount.		

\* Being the effective date of extension of CB 2017.

*(a) Extended CB 2017*

On 18 August 2014, Cosmopolitan’s wholly owned subsidiary, Apex Team Limited, issued convertible bonds with the principal amount of HK\$500.0 million (“**CB 2017**”) with a maturity date on 18 August 2017. Options were also granted by the Cosmopolitan Group to the holder to subscribe for other convertible bonds in an additional principal amount of up to HK\$500.0 million (“**Optional CB 2017**”) with an expiry date of 18 August 2017.

On 4 August 2016, the Cosmopolitan Group entered into a deed of variation with the holder to extend the maturity date of CB 2017 from 18 August 2017 to 18 August 2021 with no amendments to other terms (“**Extended CB 2017**”). The above modification (the “**Modification**”) was approved by independent shareholders of Cosmopolitan on 11 October 2016.

Extended CB 2017 originally contained three components: equity component, liability component and embedded derivative financial liabilities in respect of the subscription options for convertible bonds (i.e. Optional CB 2021 (as defined hereinafter)). The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount was assigned as the equity component and was included in reserve. The subscription options embedded in the convertible bonds were recognised as derivative financial instruments and were measured at fair value on initial recognition and remeasured at the end of each subsequent reporting period. Such subscription options were fully exercised in 2016 as detailed below. The effective interest rate of the liability component of Extended CB 2017 was 6.61%.

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During the year ended 31 December 2020, Extended CB 2017 was fully converted into 1,428,571,428 new ordinary shares of Cosmopolitan on 26 June 2020.

*(b) CB 2021A and CB 2021B*

In connection with the Modification, the options to subscribe for Optional CB 2017 were also replaced by new options to subscribe for other convertible bonds with an extended maturity date from 18 August 2017 to 18 August 2021 (“**Optional CB 2021**”). The options to subscribe for Optional CB 2021 with the principal amounts of HK\$330.0 million (“**CB 2021A**”) and HK\$170.0 million (“**CB 2021B**”) were exercised on 12 October 2016 and 30 December 2016, respectively.

Each of CB 2021A and CB 2021B contained two components: equity component and liability component. The fair value of the liability component was estimated at the issuance dates using an equivalent market interest rate for a similar bond without conversion option. The residual amount was assigned as the equity component and was included in reserve. The effective interest rates of the liability components of CB 2021A and CB 2021B were 6.52% and 7.09%, respectively.

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

	<b>Equity component</b>	<b>Liability component</b>	<b>Total</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
At 1 January 2020	399.4	952.3	1,351.7
Interest expenses	–	46.8	46.8
Interest paid	–	(23.8)	(23.8)
Conversion of convertible bonds	<u>(207.2)</u>	<u>(482.3)</u>	<u>(689.5)</u>
At 31 December 2020	<u>192.2</u>	<u>493.0</u>	<u>685.2</u>

**Lease liabilities**

As at 31 December 2020, the Cosmopolitan Group had lease liabilities of HK\$1.2 million.

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**Pledge of assets**

As at 31 December 2020, certain of the Cosmopolitan Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK\$24.7 million were pledged to secure general banking facilities granted to the Cosmopolitan Group.

In addition, the Cosmopolitan Group's equity interests in the relevant holding companies of the Cosmopolitan Group's property development projects were pledged to secure the other borrowings and the related interest payable in respect of a loan facility from a fellow subsidiary.

**Capital commitments**

Details of the capital commitments of the Cosmopolitan Group as at 31 December 2020 are shown below:

	<b>2020</b>
	<i>HK\$ million</i>
Contracted, but not provided for:	
Property development projects	<u>923.7</u>

**Contingent liabilities**

Details of the contingent liabilities of the Cosmopolitan Group as at 31 December 2020 are shown below:

As at 31 December 2020, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of the Cosmopolitan Group's properties amounting to approximately RMB571.5 million (HK\$680.9 million). The Cosmopolitan Group's guarantee period started from the dates of grant of the relevant mortgage loans and ended upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which would generally complete within one to two years after the purchasers take possession of the relevant properties.

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

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**Share capital and convertible bonds**

During the year, a total of 50,000,000 convertible preference shares of Cosmopolitan were converted into 50,000,000 new ordinary shares of Cosmopolitan in accordance with the terms of the convertible preference shares, and the convertible bonds of the Cosmopolitan Group with the principal amount of HK\$500,000,000 were converted into 1,428,571,428 new ordinary shares of Cosmopolitan at the conversion price of HK\$0.35 per ordinary share. Relevant details of the movements in the share capital of the Cosmopolitan Group are shown below:

	<i>Notes</i>	<b>2020</b> <i>HK\$ million</i>
<b>Shares</b>		
Authorised:		
120,602,390,478 ordinary shares of HK\$0.002 each		241.2
4,397,609,522 convertible preference shares of HK\$0.002 each	<i>(a)</i>	<u>8.8</u>
		<u>250.0</u>
Issued and fully paid:		
5,892,497,800 ordinary shares of HK\$0.002 each		11.8
2,295,487,911 convertible preference shares of HK\$0.002 each	<i>(a)</i>	<u>4.6</u>
		<u>16.4</u>

*Note:*

- (a) Each convertible preference share (“CPS”) was non-redeemable by Cosmopolitan or its holder and was convertible into one ordinary share of Cosmopolitan, subject to adjustment upon the occurrence of consolidation or subdivision of the ordinary shares, at any time after issuance, provided that holders of a CPS may not exercise the conversion rights to the extent that would result in Cosmopolitan failing to comply with the minimum public float requirement under the Listing Rules.

Each CPS shall confer on its holder the right to receive any dividend *pari passu* with holders of ordinary shares on the basis of the number of ordinary shares into which each CPS might be converted and on an as-if converted basis.

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of Cosmopolitan, but the CPS shall not confer on their holders the right to vote at a general meeting of Cosmopolitan, except on a resolution for the winding-up of Cosmopolitan.

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A summary of the movements of Cosmopolitan's share capital and share premium account during the year ended 31 December 2020 is as follows:

		Issued and fully paid		Share premium account
		Number of shares million	Amount HK\$ million	Amount HK\$ million
	Notes			
<b>Ordinary shares</b>				
At 1 January 2020		4,413.9	8.8	1,249.4
Conversion of convertible preference shares	(i)	50.0	0.1	–
Conversion of convertible bonds	(ii)	<u>1,428.6</u>	<u>2.9</u>	<u>686.6</u>
At 31 December 2020		<u>5,892.5</u>	<u>11.8</u>	<u>1,936.0</u>
<b>Non-voting non-redeemable convertible preference shares of HK\$0.002 each</b>				
At 1 January 2020		2,345.5	4.7	230.0
Conversion of convertible preference shares	(i)	<u>(50.0)</u>	<u>(0.1)</u>	<u>–</u>
At 31 December 2020		<u>2,295.5</u>	<u>4.6</u>	<u>230.0</u>
<b>Total share capital</b>				
At 31 December 2020			<u>16.4</u>	<u>2,166.0</u>

Notes:

- (i) During the year ended 31 December 2020, 50,000,000 CPSs were converted into 50,000,000 new ordinary shares of Cosmopolitan.
- (ii) During the year ended 31 December 2020, Extended CB 2017 was fully converted into 1,428,571,428 new ordinary shares of Cosmopolitan.

Save as disclosed herein, there were no changes in the share capital of Cosmopolitan and the convertible bonds of the Cosmopolitan Group.

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

**Disposal of 100% interest in Cosmopolitan International Development Limited**

On 31 December 2019, the Cosmopolitan Group entered into an agreement with an independent purchaser for the disposal of its entire interests in Cosmopolitan International Development Limited (“CIDL”) for a consideration of HK\$400.0 million (the “CIDL Disposal”). Completion of the CIDL Disposal took place on 31 March 2020 and CIDL ceased to be a subsidiary of the Cosmopolitan Group.

On 31 December 2019, the Cosmopolitan Group entered into a share acquisition agreement (“Share Acquisition Agreement”), the completion of which was conditional upon the completion of CIDL Disposal. The CIDL Disposal was completed on 31 March 2020 and the proceeds from the CIDL Disposal were applied by the Cosmopolitan Group to purchase 6,069,000 Class A ordinary shares of AMTD (“Acquisition”) pursuant to the Share Acquisition Agreement on 8 April 2020. In the opinion of the Cosmopolitan Directors, the CIDL Disposal and the Acquisition were accounted for as one single transaction with multiple arrangements and the fair value of the equity investment acquired was considered to be the consideration of the CIDL Disposal.

	<i>HK\$ million</i>
Net assets disposed of:	
Loans receivable	185.4
Deposits, prepayment and other assets	224.7
Creditors and accruals	(3.5)
Tax payable	<u>(18.8)</u>
	387.8
Exchange equalisation reserve released	<u>71.1</u>
	458.9
Gain on disposal of subsidiaries	<u>68.9</u>
	<u><u>527.8</u></u>

*HK\$ million*

Satisfied by:	
Equity investments designated at fair value through other comprehensive income	<u><u>527.8</u></u>

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An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<i>HK\$ million</i>
Cash consideration	400.0
Less: deposits received	<u>(10.0)</u>
Inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>390.0</u></u>

Save as disclosed above, during the year ended 31 December 2020, there were no other material acquisitions or disposals of subsidiaries or associates of Cosmopolitan.

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

The Cosmopolitan Group employed approximately 100 staff in Hong Kong and the PRC. The Cosmopolitan Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Cosmopolitan Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Cosmopolitan Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

##### **Business review**

China's economy expanded by 8.1% in 2021, which was in line with market expectations. However, the growth momentum had apparently slowed down towards the end of last year, as the growth rate of its Growth Domestic Product declined from 18.3% in the first quarter to just 4% in the fourth quarter of 2021. Apart from the intermittent disruptions in the global supply chain, one of the reasons for the economic slow down in the latter part of 2021 might be attributed to the adverse impact on market confidence caused by the regulatory measures imposed by the central government authorities to reform selected business industries in China. These regulatory measures included the series of efforts by the government authorities to deleverage the property market in the Mainland China, which led to reduced home sales and weakened investment activities in real estate, as compared with the preceding year.

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Nearly all of the 1,555 residential units comprised in the ten residential towers in the third stage of the Regal Cosmopolitan City development in Chengdu had been presold by early 2021 at satisfactory prices. The construction and fitting out works of these residential towers were all completed in December 2021. About 60% of the units presold had been handed over to their respective purchasers before the last year end and the revenues derived therefrom accounted for in the financial results for the year ended 31 December 2021. The procedures for the hand over of the remaining units sold were expected to be completed shortly and the relevant revenues would be recognised in the current financial year.

The remaining components of the Regal Cosmopolitan City under development included a 325-room hotel, a commercial complex, five towers of office accommodations as well as shops and car parking spaces. The interior construction works of the hotel for the procurement of the Completion Certificate were scheduled to commence shortly.

The residential portion of the Cosmopolitan Group's other composite development in China, the Regal Renaissance in Tianjin, had also been substantially sold. The other components comprised a commercial complex that had been completed and, in addition, two office towers and the commercial podium, the superstructure works for which were recently completed in December 2021.

Cosmopolitan entered into a deed of variation with the holder of the then outstanding convertible bonds issued by the Cosmopolitan Group in the principal amount of HK\$500.0 million, which were due to mature on 18 August 2021. The purpose of the deed of variation was primarily to extend the maturity date of the bonds in the principal amount of HK\$300.0 million for 5 years to 18 August 2026. As the holder of the bonds is a wholly owned subsidiary of P&R (a 50%:50% owned joint venture of Paliburg, the intermediate listed parent of Cosmopolitan, and Regal, a listed subsidiary of Paliburg), the deed of variation required approval by the independent shareholders of Cosmopolitan, which was so duly approved at the extraordinary general meeting of Cosmopolitan held on 30 August 2021. Details of the deed of variation and other related matters were contained in the circular dated 10 August 2021 despatched to the Cosmopolitan Shareholders.

As part of the arrangements contemplated in connection with the deed of variation, the remaining convertible bonds in the principal amount of HK\$200.0 million were converted by the holder into 500 million new ordinary shares of Cosmopolitan on 11 August 2021, which further expanded the capital base of Cosmopolitan.

On 21 September 2021, the Cosmopolitan Group entered into a supplemental agreement with the Regal Group in relation to the loan facilities granted by the Regal Group in 2016, principally with the objective to extending the repayment date of the revised loan facilities in the aggregate amount of HK\$857.0 million for three years to 12 October 2024, in order that the Cosmopolitan Group could align the timing for the repayment of the revised loan facilities with the latest sale progress and completion schedules of the Cosmopolitan Group's development projects in Chengdu and Tianjin. Details of the supplemental agreement and the terms of the revised loan facilities were contained in the circular to shareholders dated 11 November 2021 and the transaction was approved by the independent shareholders at the extraordinary general meeting of Cosmopolitan held on 30 November 2021.

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As indicated in the above-mentioned circular dated 11 November 2021, the Cosmopolitan Group was conducting preliminary discussions with the Regal Group for its possible acquisition of the hotel under development in Regal Cosmopolitan City in Chengdu.

The Cosmopolitan Group had no immediate plans for material investments or capital assets, other than those as disclosed above.

A brief review on the property projects undertaken by the Cosmopolitan Group in the PRC and the Cosmopolitan Group's other investments is set out below.

### **Property development**

#### *Chengdu Project — Regal Cosmopolitan City*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

The superstructure and fitting-out works for the third stage of the development, consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces were all completed in December 2021. Nearly all of the residential units in the third stage had been presold by early 2021, at prices significantly higher than those attained in the first and second stages of the development. Total proceeds from the contracted presales and/or sales of the residential units amounted to approximately RMB2,046 million (HK\$2,518.2 million). About 60% of the units presold had been handed over to their respective purchasers before the last year end and the revenues derived therefrom accounted for in the financial results for the year ended 31 December 2021. The procedures for the hand over of the remaining units sold were expected to be completed shortly and the relevant revenues would be recognised in the current financial year.

The sale of the shops with about 2,350 square metres (25,300 square feet) comprised in the third stage were in progress. Up to 31 March 2022, a total of 2,173 square meters (23,390 square feet) of shops had been sold or contracted to be sold, at aggregate sale considerations of approximately RMB75.6 million (HK\$93.0 million). The sale of 1,389 car parking spaces was continuing and 381 car parking spaces had been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB42.2 million (HK\$51.9 million). The procedures for the hand over of the shop units to their respective purchasers in stages had also commenced from December 2021.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate were scheduled to commence shortly. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme were planned to commence after the procurement of the Completion Certificate and the hotel was scheduled to open in phases after the completion of respective fitting-out works.

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) were in steady progress. One of the office towers, three blocks of commercial facilities as well as the six-storey shopping mall podium had been topped-off. The market repositioning works of the shopping mall were in progress. The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), had commenced in May 2021. Up to 31 March 2022, 113 office units with a total of about 4,846 square meters (52,162 square feet) had been subscribed by prospective purchasers or presold under contracts, for an aggregate consideration of RMB43.3 million (HK\$53.3 million). The presale of the remaining four office towers, consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet), would follow in phases with reference to the market environment.

*Tianjin Project — Regal Renaissance*

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

Nearly all of the residential units had been sold. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), was continuing but latest progress had been slow due to the downturn in the local retail market. Certain parts of the commercial complex had been leased out for rental income.

The superstructure works of the remaining two office towers and the four-storey commercial podium were completed in December 2021 and the related Completion Certificates were recently obtained. The programme for the presale of one office tower consisting of 137 units with a total of about 17,530 square metres (188,700 square feet) had been delayed and presently planned to be launched in the second half of 2022. Depending on the market conditions, the presale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), would be launched in phases thereafter. The market positioning works for the commercial podium were in progress.

*Xinjiang Project*

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu undertaken in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan Group had re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (1,228,700 square metres) would be available for real estate development after the requisite inspection, land grant listing and tender procedures were completed.

The Cosmopolitan Group continued to maintain the overall re-forested area. In the meanwhile, the Cosmopolitan Group was communicating with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that had been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan Group in the relevant re-forestation contract remained valid and effective.

**Other investments**

*Investment in shares of AMTD*

In 2020, the Cosmopolitan Group applied the sale proceeds received from the disposal of its investment in a logistics services provider in the PRC to purchase 6,069,000 Class A ordinary shares of AMTD. AMTD is a reputable financial services provider in the Asia Pacific, with dual listings on the New York Stock Exchange and the Singapore Stock Exchange. The Cosmopolitan Group expected to be able to leverage on the strategic co-operative relationship with AMTD to explore and capture new business and investment opportunities through its intensive business network. The AMTD shares were being held by the Cosmopolitan Group as equity investments at fair value through other comprehensive income.

*PRC Real Estate Company*

The Cosmopolitan Group acquired an 80% equity interest in and provided pro rata shareholder's loan to an investee company incorporated in the PRC in July 2019. The investee company owned 10% equity interest in another PRC-incorporated real estate company that undertook joint developments for both industry specific real estate and residential/commercial real estate in China. In December 2021, the Cosmopolitan Group entered into an agreement with an independent third party for the disposal of its entire 80% equity interest in and shareholder's loan to the abovementioned investee company at a consideration equal to the original investment cost of the Cosmopolitan Group. Under the terms of the agreement, the Cosmopolitan Group had the right to repurchase the subject equity interest and shareholder's loan from the purchaser at the original consideration plus interest at 8% per annum at any time on or before 31 December 2023.

**Financial review**

For the year ended 31 December 2021, Cosmopolitan achieved a profit attributable to Cosmopolitan Shareholders of HK\$33.6 million, as compared to the loss of HK\$123.5 million for the preceding year. The improved results attained in the year ended 31 December 2021 were largely attributable to the partial recognition of the revenues from the contracted presales of the residential units in the third stage of the Cosmopolitan Group's Regal Cosmopolitan City development in Chengdu, China, as about 60% of the units presold had been handed over to the purchasers before the year end in 2021. The revenues from the remaining presold units would be recognised in the current financial year, as the hand over of those units was expected to be completed shortly. The property income from the sale of the residential units and other properties in the Chengdu project, which had been handed over to the purchasers before 31 December 2021, amounted to HK\$599.4 million before tax and selling expenses. However, at the same time, there were impairment losses on the ascribed goodwill as well as on the property under development comprised within the Chengdu project, which totaled HK\$237.3 million. Consequently, after further accounting for the substantial tax incurred on the property projects, the net profit attributable to Cosmopolitan Shareholders for the financial year ended 31 December 2021 had been affected.

## **ASSETS VALUE**

As at 31 December 2021, the Cosmopolitan Group's net assets attributable to equity holders of the parent amounted to HK\$1,628.4 million, representing approximately HK\$0.19 per share (including ordinary share and convertible preference share).

## **CAPITAL RESOURCES AND FUNDING**

### **Funding and treasury policy**

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

The acquisition of the two ongoing development projects in the PRC in 2013 had been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. With an objective to align the due dates of the considerations payable with the latest progress and completion schedules of the two development projects, by virtue of the agreements entered into between the Cosmopolitan Group and the vendors and completed in 2016, (i) the consideration payables owing to one of the vendors were refinanced by new 5-year loan facilities, and (ii) the consideration payable owing to the other vendor was repaid through its subscription of the optional convertible bonds issued by the Cosmopolitan Group.

In September 2021, the Cosmopolitan Group entered into a supplemental agreement with the Regal Group in relation to the loan facilities granted by the Regal Group in 2016, principally with the objective to extending the repayment date of the revised loan facilities in the aggregate amount of HK\$857.0 million from 12 October 2021 to 12 October 2024, in order that the Cosmopolitan Group could align the timing for the repayment of the revised loan facilities with the latest sale progress and completion schedules of the Cosmopolitan Group's development projects in Chengdu and Tianjin.

Construction and related costs for the property projects were principally financed by internal resources, proceeds from the presale of the units and drawdown of loan facilities granted by the Regal Group. Project financing might be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

### **Cash flows**

Net cash flows used in operating activities during the year ended 31 December 2021 amounted to HK\$39.4 million. Net interest payment for the year amounted to HK\$35.8 million.

### **Borrowings and gearing**

As at 31 December 2021, the Cosmopolitan Group had cash and bank balances and deposits of HK\$177.7 million and the Cosmopolitan Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK\$584.1 million.

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As at 31 December 2021, the gearing ratio of the Cosmopolitan Group was 12.1%, representing the Cosmopolitan Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK\$584.1 million, as compared to the total assets of the Cosmopolitan Group of HK\$4,844.7 million.

Details of the maturity profile of the borrowings of the Cosmopolitan Group as of 31 December 2021 are shown below:

**1. Interest bearing bank borrowing**

	<b>2021</b>	
	<i>Maturity</i>	<i>HK\$ million</i>
<b>Current</b>		
Bank loan – secured	2022	<u>12.5</u>
Analysed into:		
Bank loan repayable within one year		<u>12.5</u>

The Cosmopolitan Group's facilities amounting to HK\$20.0 million, of which HK\$12.5 million had been utilised at 31 December 2021, were secured by the pledge of certain of the Cosmopolitan Group's bank balances and financial assets at fair value through profit or loss amounting to HK\$24.8 million in aggregate. As at 31 December 2021, the outstanding loan facilities of the Cosmopolitan Group bore interest at the Hong Kong Interbank Offered Rate plus an interest margin of 1.25% per annum. The interest bearing bank borrowing was denominated in Hong Kong dollars.

**2. Other borrowings**

	<b>2021</b>
	<i>HK\$ million</i>
<b>Non-current</b>	
Other borrowings	<u>357.0</u>
<b>Current</b>	
Other borrowings	<u>121.9</u>

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Other borrowings, comprising a term loan of HK\$357.0 million and revolving loan of HK\$121.9 million from a fellow subsidiary, were secured by the pledge over the equity interests in the relevant holding companies of the Cosmopolitan Group's property development projects and bore interest at 5% per annum. The term loan was originally due on 12 October 2021. Pursuant to a supplemental agreement entered into with that fellow subsidiary during the year, the repayment date of the revised loan facilities in the aggregate amount of HK\$857.0 million was extended for three years to 12 October 2024. The term loan was accordingly classified under non-current other borrowings and the revolving loan was classified as short-term borrowings.

**3.    *Convertible bonds***

As at 31 December 2021, the Cosmopolitan Group had issued one tranche of convertible bonds. Further details of the convertible bonds were set out as follows:

Purpose:	To provide additional capital to the Cosmopolitan Group		
Convertible bonds:	CB 2021A (note (a))	CB 2021B (note (a))	CB 2026 (note (b))
Issue date:	12 October 2016	30 December 2016	30 August 2021*
Maturity date:	18 August 2021	18 August 2021	18 August 2026
Principal amount:	HK\$330,000,000	HK\$170,000,000	HK\$300,000,000
Coupon interest:	3.5% per annum, payable semi annually	3.5% per annum, payable semi annually	Zero coupon
Initial conversion price to ordinary shares of Cosmopolitan:	HK\$0.40 per share (subject to adjustment)	HK\$0.40 per share (subject to adjustment)	HK\$0.40 per share (subject to adjustment)
Conversion period:	At any time from 19 October 2016 to 11 August 2021	At any time from 6 January 2017 to 11 August 2021	At any time from 30 August 2021 to 11 August 2026
Maximum number of shares of Cosmopolitan to be converted based on initial conversion price:	825,000,000	425,000,000	750,000,000

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<p>Status as at 31 December 2021:</p>	<p>Principal amount of HK\$30,000,000 was converted into 75,000,000 ordinary shares on 11 August 2021; terms of the convertible bonds in the principal amount of HK\$300,000,000 were modified as detailed below</p>	<p>Converted into 425,000,000 ordinary shares on 11 August 2021</p>	<p>No conversion happened</p>
<p>Redemption:</p>	<p>If any of the convertible bonds had not been converted, they would be redeemed on the maturity date at 100% of their outstanding principal amount.</p>	<p>If any of the convertible bonds had not been converted, they would be redeemed on the maturity date at 118.94% of their outstanding principal amount.</p>	

\* Being the effective date of extension of CB 2021A.

*(a) CB 2021A and CB 2021B*

On 18 August 2014, Cosmopolitan’s wholly owned subsidiary, Apex Team Limited, issued convertible bonds with the principal amount of HK\$500.0 million (“**CB 2017**”) with a maturity date on 18 August 2017. Options were also granted by the Cosmopolitan Group to the holder to subscribe for other convertible bonds in an additional principal amount of up to HK\$500.0 million (“**Optional CB 2017**”) with an expiry date of 18 August 2017.

On 4 August 2016, the Cosmopolitan Group entered into a deed of variation with the holder to extend the maturity date of CB 2017 from 18 August 2017 to 18 August 2021 with no amendments to other terms (“**Extended CB 2017**”). The above modification (the “**Modification**”) was approved by independent shareholders of Cosmopolitan on 11 October 2016.

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In connection with the Modification, the options to subscribe for Optional CB 2017 were also replaced by new options to subscribe for other convertible bonds with an extended maturity date from 18 August 2017 to 18 August 2021 (“**Optional CB 2021**”). The options to subscribe for Optional CB 2021 with the principal amount of HK\$330.0 million (“**CB 2021A**”) and HK\$170.0 million (“**CB 2021B**”) were exercised on 12 October 2016 and 30 December 2016, respectively.

Each of CB 2021A and CB 2021B contained two components: equity component and liability component. The fair value of the liability component was estimated at the issuance dates using an equivalent market interest rate for a similar bond without conversion option. The residual amount was assigned as the equity component and was included in reserve. The effective interest rates of the liability components of CB 2021A and CB 2021B were 6.52% and 7.09%, respectively.

During the year ended 31 December 2020, Extended CB 2017 was fully converted into 1,428,571,428 new ordinary shares of Cosmopolitan on 26 June 2020.

*(b) CB 2026*

On 4 August 2021, Cosmopolitan entered into a deed of variation with the holder of the outstanding convertible bonds issued by the Cosmopolitan Group. The outstanding convertible bonds had a total principal amount of HK\$500.0 million, which were due to mature on 18 August 2021. Under the deed of variation, the parties conditionally agreed, among other things, to amend the terms of the convertible bonds in the principal amount of HK\$300.0 million to the effect that the maturity date shall be extended to 18 August 2026 (“**CB 2026**”) and the existing coupon interest at the rate of 3.5% per annum shall be changed to zero coupon, but with a redemption yield at 118.94%. Save for the two amendments mentioned above, all other terms and conditions of the convertible bonds would remain unchanged. The above modification was approved by independent shareholders of Cosmopolitan on 30 August 2021.

In consideration of the parties having entered into the deed of variation, the holder of the convertible bonds undertook to convert the outstanding convertible bonds in the remaining principal amount of HK\$200.0 million in accordance with the terms of the convertible bonds, which were so converted into 500 million new ordinary shares of Cosmopolitan on 11 August 2021.

CB 2026 contained two components: equity component and liability component. The fair value of the liability component was estimated at the issuance dates using an equivalent market interest rate for a similar bond without conversion option. The residual amount was assigned as the equity component and was included in reserve. The effective interest rates of the liability components of CB 2026 was 6.22%.

At the date of modification, the fair value of CB 2021A was HK\$412,091,000. Upon modification, the CB 2021A was extinguished and the CB 2026 at a fair value of HK\$824,985,000 was recognised. As a result, an aggregate amount of HK\$412,894,000 was debited to the capital reserve.

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

	<b>Equity component</b>	<b>Liability component</b>	<b>Total</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
At 1 January 2021	192.2	493.0	685.2
Conversion of convertible bonds	(80.1)	(199.9)	(280.0)
Modification of the terms of convertible bonds:			
– Extinguishment of original convertible bonds upon modification of terms	(112.1)	(300.0)	(412.1)
– Recognition of convertible bonds upon modification of terms	560.2	264.8	825.0
Interest expenses	–	25.9	25.9
Interest paid	–	(13.4)	(13.4)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2021	<u>560.2</u>	<u>270.4</u>	<u>830.6</u>

**Lease liabilities**

As at 31 December 2021, the Cosmopolitan Group had lease liabilities of HK\$0.7 million.

**Pledge of assets**

As at 31 December 2021, certain of the Cosmopolitan Group’s bank deposits and financial assets at fair value through profit or loss in the amount of HK\$24.8 million were pledged to secure general banking facilities granted to the Cosmopolitan Group.

In addition, the Cosmopolitan Group’s equity interests in the relevant holding companies of the Cosmopolitan Group’s property development projects were pledged to secure the other borrowings and the related interest payable in respect of a loan facility from a fellow subsidiary.

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**Capital commitments**

Details of the capital commitments of the Cosmopolitan Group as at 31 December 2021 are shown below:

	<b>2021</b>
	<i>HK\$ million</i>
Contracted, but not provided for:	
Property development projects	<u>538.7</u>

**Contingent liabilities**

As at 31 December 2021, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of the Cosmopolitan Group's properties amounting to approximately RMB700.7 million (HK\$857.0 million). The Cosmopolitan Group's guarantee period started from the dates of grant of the relevant mortgage loans and ended upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which would generally complete within one to two years after the purchasers took possession of the relevant properties.

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

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**Share capital and convertible bonds**

During the year, the convertible bonds in an aggregate principal amount of HK\$200,000,000 were converted into new ordinary shares of Cosmopolitan at the conversion price of HK\$0.40 per ordinary share on 11 August 2021, and accordingly, 500,000,000 new ordinary shares were allotted and issued to the holder of the converted bonds on 13 August 2021. Relevant details of the movements in the share capital of the Cosmopolitan Group are shown below:

	<i>Note</i>	<b>2021</b> <i>HK\$ million</i>
<b>Shares</b>		
Authorised:		
120,602,390,478 ordinary shares of HK\$0.002 each		241.2
4,397,609,522 convertible preference shares of HK\$0.002 each	<i>(a)</i>	<u>8.8</u>
		<u><u>250.0</u></u>
Issued and fully paid:		
6,392,497,800 ordinary shares of HK\$0.002 each		12.8
2,295,487,911 convertible preference shares of HK\$0.002 each	<i>(a)</i>	<u>4.6</u>
		<u><u>17.4</u></u>
		<b>2021</b> <i>HK\$ million</i>
<b>Share premium</b>		
Ordinary shares		2,095.6
Convertible preference shares		<u>230.0</u>
		<u><u>2,325.6</u></u>

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*Note:*

- (a) Each convertible preference share (“CPS”) was non-redeemable by Cosmopolitan or its holder and was convertible into one ordinary share of Cosmopolitan, subject to adjustment upon the occurrence of consolidation or subdivision of the ordinary shares, at any time after issuance, provided that holders of a CPS might not exercise the conversion rights to the extent that would result in Cosmopolitan failing to comply with the minimum public float requirement under the Listing Rules.

Each CPS shall confer on its holder the right to receive any dividend *pari passu* with holders of ordinary shares on the basis of the number of ordinary shares into which each CPS may be converted and on an as-if converted basis.

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of Cosmopolitan, but the CPS shall not confer on their holders the right to vote at a general meeting of Cosmopolitan, except on a resolution for the winding-up of Cosmopolitan.

A summary of the movements of Cosmopolitan’s share capital and share premium account during the year ended 31 December 2021 is as follows:

		Issued and fully paid		Share premium account
		Number of shares	Amount	Amount
	<i>Note</i>	<i>million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>Ordinary shares</b>				
At 1 January 2021		5,892.5	11.8	1,936.0
Conversion of convertible bonds	(i)	<u>500.0</u>	<u>1.0</u>	<u>159.6</u>
At 31 December 2021		<u>6,392.5</u>	<u>12.8</u>	<u>2,095.6</u>
<b>Non-voting non-redeemable convertible preference shares of HK\$0.002 each</b>				
At 1 January 2021 and at 31 December 2021		<u>2,295.5</u>	<u>4.6</u>	<u>230.0</u>
<b>Total share capital</b>				
At 31 December 2021			<u>17.4</u>	<u>2,325.6</u>

*Note:*

- (i) During the year ended 31 December 2021, aggregate principal amount of HK\$200,000,000 of CB 2021A and CB 2021B were converted into 500,000,000 new ordinary shares of Cosmopolitan.

Save as disclosed herein, there were no changes in the share capital of Cosmopolitan and the convertible bonds of the Cosmopolitan Group.

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

During the year ended 31 December 2021, there were no material acquisitions or disposals of subsidiaries or associates of Cosmopolitan.

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

The Cosmopolitan Group employed approximately 100 staff in Hong Kong and the PRC. The Cosmopolitan Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Cosmopolitan Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Cosmopolitan Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

#### **FOR THE YEAR ENDED 31 DECEMBER 2022**

##### **Business review**

Due to the COVID-19 related restrictions that were imposed in China for the most part of the year, overall economic activities in China deteriorated markedly in 2022. China's Gross Domestic Product for the year only posted a growth of 3.0%, which was below the target of 5.5% set in early 2022.

The real estate market in China remained weak, with the turnover volume on both primary and secondary commodity property sales having further retracted as compared with 2021. Since the end of 2022, the central government of China had released a series of policy measures targeted to relieving the liquidity crisis encountered by many real estate developers in the Mainland China and, at the same time, to boost the household demand for residential properties by lowering the mortgage rates and the easing of home purchase restrictions in many cities.

The profit from property sales for the year ended 31 December 2022 was mainly derived from the sale of the remaining residential units in the third stage of the Cosmopolitan Group's Regal Cosmopolitan City development in Chengdu that were presold before 2022 but the revenues were only recognised and accounted for in the first half of 2022 when the relevant sale transactions and hand over procedures were completed.

Apart from some residential units, shops and car parks in the third stage of Regal Cosmopolitan City development which would continue to be sold, the remaining components in this composite project still in the course of development comprised a commercial complex (including a six-storey shopping mall podium), five towers of office accommodation and a hotel building. The discussions with Regal, a fellow listed subsidiary of Cosmopolitan, regarding its possible acquisition of the hotel were ongoing.

The Cosmopolitan Group's other composite development project in China, the Regal Renaissance, is located in Tianjin. The project consists of residential, commercial and office components, which had been completed in stages. Like the Regal Cosmopolitan City project, most of the residential units in this development had also been sold in prior years. The remaining major components comprised two office towers and a four-storey commercial podium, the construction works for which were completed in December 2021 and the relevant completion certificate obtained in March 2022. Having regard to the sluggish market environment in the past year, the sale programme for one of the office towers, which was originally planned to commence in 2022, was proposed to be launched later in 2022.

The Cosmopolitan Group had no immediate plans for material investments or capital assets, other than those disclosed above.

A brief review on the property projects currently undertaken by the Cosmopolitan Group in the PRC and the Cosmopolitan Group's other investments was set out below.

### **Property development**

#### *Chengdu Project — Regal Cosmopolitan City*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

The development works of third stage were already completed. Nearly all of the residential units in the third stage had been presold by early 2021. Total proceeds from the contracted presales and sales of the residential units amounted to approximately RMB2,046.2 million (HK\$2,337.8 million). The aggregate sale considerations of those presold residential units in the third stage, whose handover procedures were completed during the course of 2022, amounted to RMB787.3 million (HK\$915.6 million). The property income derived from the completed sales of residential and commercial units and car parking spaces in the third stage, before impairment loss on ascribed goodwill, tax and selling expense, amounted to HK\$337.0 million, which had been accounted for in the year ended 31 December 2022.

The sale of the shops with about 4,110 square metres (44,250 square feet) comprised in the third stage was in progress. Up to 27 March 2023, a total of 3,933 square meters (42,335 square feet) of shops had been sold or contracted to be sold, at aggregate sale considerations of approximately RMB90.9 million (HK\$103.9 million). The sale of the 1,389 car parking spaces was continuing and,

up to 27 March 2023, 453 car parking spaces had been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB49.5 million (HK\$56.6 million). The procedures for the hand over of most of the shop units and car parking spaces sold had already been completed and the revenues accounted for in the year ended 31 December 2022.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate were in progress and expected to be completed in the third quarter of 2023. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme were planned to commence after the procurement of the Completion Certificate and the hotel was scheduled to open in phases after the completion of the respective fitting-out works.

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) were in steady progress. All the office towers, the commercial facilities as well as the six-storey shopping mall podium had been topped-off. The market repositioning works of the shopping mall and certain office towers were also in progress. The pre-sale of the shops of about 2,650 square metres (28,550 square feet) comprised in the commercial facilities had commenced in 2022. Up to 27 March 2023, a total of 229 square metres (2,465 square feet) of shops had been pre-sold or contracted to be pre-sold, at aggregate sale considerations of approximately RMB6.5 million (HK\$7.4 million).

The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), had commenced in May 2021. Up to 27 March 2023, 140 office units with a total of about 5,983 square meters (64,400 square feet) had been subscribed by prospective purchasers or presold under contracts, for an aggregate sale consideration of RMB52.4 million (HK\$59.9 million). The presale of the remaining four office towers, consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet), would follow in phases with regard to the market environment.

#### *Tianjin Project — Regal Renaissance*

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

Nearly all of the residential units had been sold. The progress on the sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), had been relatively slow. Certain parts of the commercial complex had been leased out for rental income.

The superstructure works of the remaining two office towers and the four-storey commercial podium had been completed and the Completion Certificates obtained in March 2022. The sale programme for one of the office towers, consisting of 137 units with a total of about 17,530 square metres (188,700 square feet), had been delayed on account of the changed market environment and

was planned to be launched later in 2022. Depending on the sale progress, the sale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), might be launched in phases thereafter. The market repositioning works for the commercial podium were in progress.

*Xinjiang Project*

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu undertaken in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan Group had re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (1,228,700 square metres) would be available for real estate development after the requisite inspection, land grant listing and tender procedures were completed.

The Cosmopolitan Group continued to maintain the overall re-forested area. In the meanwhile, the Cosmopolitan Group was communicating with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that had been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan Group in the relevant re-forestation contract remained valid and effective.

**Other investments**

*Investment in shares of AMTD*

The Cosmopolitan Group held 6,069,000 Class A ordinary shares (convertible into 3,034,500 American depositary shares) of AMTD as equity investments at fair value through other comprehensive income. AMTD is a reputable financial services provider in the Asia Pacific, with dual listings on the New York Stock Exchange and the Singapore Stock Exchange. The Cosmopolitan Group expected to be able to leverage on the strategic co-operative relationship with AMTD to explore and capture new business and investment opportunities through its intensive business network.

*PRC Real Estate Company*

The Cosmopolitan Group acquired an 80% equity interest in and provided pro rata shareholder's loan to an investee company incorporated in the PRC in July 2019. The investee company owned 10% equity interest in another PRC-incorporated real estate company that undertook joint developments for both industry specific real estate and residential/commercial real estate in China. In December 2021, the Cosmopolitan Group entered into an agreement with an independent third party for the disposal of its entire 80% equity interest in and shareholder's loan to the abovementioned investee company at a consideration equal to the original investment cost of the Cosmopolitan Group, completion of which was expected to take place by the end of 2023 (as extended). Under the terms of the agreement, the Cosmopolitan Group had the right to repurchase the subject equity interest and shareholder's loan from the purchaser at the original consideration plus interest at 8% per annum at any time on or before 31 December 2024 (as extended).

*Investment in Interra Acquisition Corporation*

In September 2022, a wholly owned subsidiary of the Cosmopolitan Group subscribed for and was allocated a total of 12,210,000 Class A Shares (with attached warrants) of Interra Acquisition Corporation at a subscription price of approximately HK\$122.1 million. Interra is a special purpose acquisition company set up for the purpose effecting a De-SPAC Transaction and is listed on the Stock Exchange. The investment was funded by bank and other borrowings of the Cosmopolitan Group and under the terms of offering of Interra, subscribers are afforded redemption rights to protect their investments in the subscribed securities of Interra.

The Cosmopolitan Group considered that this investment in Interra could diversify the Cosmopolitan Group's investment portfolio and enable the Cosmopolitan Group to capture possible favourable investment returns. Detailed information on the Cosmopolitan Group's investment in Interra was contained in the joint announcement of Cosmopolitan published on 9 September 2022.

**Financial review**

For the year ended 31 December 2022, Cosmopolitan recorded a profit attributable to the Cosmopolitan Shareholders of HK\$4.0 million, while in the preceding year, a profit of HK\$33.6 million was attained.

The decrease in the profit attained in the year ended 31 December 2022, as compared to the preceding financial year, was primarily attributable to the comparatively lower level of revenue derived from the sale of properties in the Cosmopolitan Group's two major development projects in Chengdu and Tianjin in the PRC and, additionally, in the preceding year, there was relatively substantial profit contribution from the Cosmopolitan Group's securities investment business.

**ASSETS VALUE**

As at 31 December 2022, the Cosmopolitan Group's net assets attributable to equity holders of the parent amounted to HK\$1,410.7 million, representing approximately HK\$0.16 per share (including ordinary share and convertible preference share).

**CAPITAL RESOURCES AND FUNDING**

**Funding and treasury policy**

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

The acquisition of the two ongoing development projects in the PRC in 2013 were financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. With an objective to align the due dates of the considerations payable with the latest progress and completion schedules of the two development projects, by virtue of the agreements entered into between the Cosmopolitan Group and

the vendors and completed in 2016, (i) the consideration payables owing to one of the vendors were refinanced by new 5-year loan facilities, and (ii) the consideration payable owing to the other vendor was repaid through its subscription of the optional convertible bonds issued by the Cosmopolitan Group.

In September 2021, the Cosmopolitan Group entered into a supplemental agreement with the Regal Group in relation to the loan facilities granted by the Regal Group in 2016, principally with the objective to extending the repayment date of the revised loan facilities in the aggregate amount of HK\$857.0 million from 12 October 2021 to 12 October 2024, in order that the Cosmopolitan Group could align the timing for the repayment of the revised loan facilities with the latest sale progress and completion schedules of the Cosmopolitan Group's development projects in Chengdu and Tianjin.

Construction and related costs for the property projects were principally financed by internal resources, proceeds from the presale of the units and drawdown of loan facilities granted by the Regal Group. Project financing might be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

#### **Cash flows**

Net cash flows used in operating activities during the year ended 31 December 2022 amounted to HK\$443.8 million. Net interest payment for the year amounted to HK\$30.3 million.

#### **Borrowings and gearing**

As at 31 December 2022, the Cosmopolitan Group had cash and bank balances and deposits of HK\$81.6 million and the Cosmopolitan Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK\$1,113.6 million.

As at 31 December 2022, the gearing ratio of the Cosmopolitan Group was 27.8%, representing the Cosmopolitan Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK\$1,113.6 million, as compared to the total assets of the Cosmopolitan Group of HK\$4,000.5 million.

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Details of the maturity profile of the borrowings of the Cosmopolitan Group as of 31 December 2022 are shown below:

**1. Interest bearing bank borrowing**

	<b>2022</b>	
	<i>Maturity</i>	<i>HK\$ million</i>
<b>Current</b>		
Bank loan – secured	2023	<u>12.5</u>
Analysed into:		
Bank loan repayable within one year		<u>12.5</u>

The Cosmopolitan Group’s facilities amounting to HK\$20.0 million, of which HK\$12.5 million had been utilised at 31 December 2022, were secured by the pledge of certain of the Cosmopolitan Group’s bank balances and financial assets at fair value through profit or loss amounting to HK\$23.0 million in aggregate. As at 31 December 2022, the outstanding loan facilities of the Cosmopolitan Group bore interest at the Hong Kong Interbank Offered Rate (“**HIBOR**”) plus an interest margin of 1.25% per annum. The interest bearing bank borrowing was denominated in Hong Kong dollars.

**2. Other borrowings**

	<b>2022</b>	
	<i>Notes</i>	<i>HK\$ million</i>
Unsecured note	(i)	156.0
Other borrowing	(ii)	<u>739.2</u>
		<u>895.2</u>
Analysed into:		
Other borrowings repayable:		
Within one year		382.2
In the second year		357.0
In the third to fifth years, inclusive		<u>156.0</u>
		<u>895.2</u>

*Notes:*

- (i) On 19 September 2022, Cosmopolitan International Finance Limited, a wholly owned subsidiary of Cosmopolitan, issued a 3-year unsecured note in an aggregate nominal principal amount of US\$20.0 million at a coupon interest rate of HIBOR plus 0.6% per annum.

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**APPENDIX III                      MANAGEMENT DISCUSSION AND ANALYSIS ON THE  
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- (ii) Other borrowings, comprising a term loan of HK\$357.0 million and revolving loan of HK\$382.2 million from a fellow subsidiary, were secured by the pledge over the equity interests in the relevant holding companies of the Cosmopolitan Group's property development projects and bore interest at 5% per annum. The term loan was repayable on 12 October 2024 and was classified as non-current other borrowings. The revolving loan was classified as short-term borrowings.

### **3. Convertible bonds**

As at 31 December 2022, the Cosmopolitan Group had issued one tranche of convertible bonds. Further details of the convertible bonds were set out as follows:

Purpose:	To provide additional capital to the Cosmopolitan Group
Convertible bonds:	CB 2026
Issue date:	30 August 2021
Maturity date:	18 August 2026
Principal amount:	HK\$300,000,000
Coupon interest:	Zero coupon
Initial conversion price to ordinary shares of Cosmopolitan:	HK\$0.40 per share (subject to adjustment)
Conversion period:	At any time from 30 August 2021 to 11 August 2026
Maximum number of shares of Cosmopolitan to be converted based on initial conversion price:	750,000,000
Status as at 31 December 2022:	No conversion happened
Redemption:	If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 118.94% of their outstanding principal amount.

#### **CB 2026**

On 4 August 2021, Cosmopolitan entered into a deed of variation with the holder of the outstanding convertible bonds issued by the Cosmopolitan Group. The outstanding convertible bonds had a total principal amount of HK\$500.0 million, which were due to mature on 18 August 2021. Under the deed of variation, the parties conditionally agreed, among other things, to amend the terms of the convertible bonds in the principal amount of HK\$300.0 million to the effect that the maturity date shall be extended to 18 August 2026 ("**CB 2026**") and the existing coupon interest at the rate of

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3.5% per annum shall be changed to zero coupon, but with a redemption yield at 118.94%. Save for the two amendments mentioned above, all other terms and conditions of the convertible bonds remained unchanged. The above modification was approved by independent shareholders of Cosmopolitan on 30 August 2021.

In consideration of the parties having entered into the deed of variation, the holder of the convertible bonds undertook to convert the outstanding convertible bonds in the remaining principal amount of HK\$200.0 million in accordance with the terms of the convertible bonds, which were so converted into 500 million new ordinary shares of Cosmopolitan on 11 August 2021.

CB 2026 contained two components: equity component and liability component. The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount was assigned as the equity component and was included in reserve. The effective interest rates of the liability components of CB 2026 was 6.22%.

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

	<b>Equity component</b> <i>HK\$ million</i>	<b>Liability component</b> <i>HK\$ million</i>	<b>Total</b> <i>HK\$ million</i>
At 1 January 2022	560.2	270.4	830.6
Interest expenses	<u>–</u>	<u>17.1</u>	<u>17.1</u>
At 31 December 2022	<u><u>560.2</u></u>	<u><u>287.5</u></u>	<u><u>847.7</u></u>

**Lease liabilities**

As at 31 December 2022, the Cosmopolitan Group had lease liabilities of HK\$0.2 million.

**Pledge of assets**

As at 31 December 2022, certain of the Cosmopolitan Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK\$23.0 million were pledged to secure general banking facilities granted to the Cosmopolitan Group.

In addition, the Cosmopolitan Group's equity interests in the relevant holding companies of the Cosmopolitan Group's property development projects were pledged to secure certain other borrowings and the related interest payable in respect of a loan facility from a fellow subsidiary.

### **Capital commitments**

Details of the capital commitments of the Cosmopolitan Group as at 31 December 2022 are shown below:

	<b>2022</b>
	<i>HK\$ million</i>
Contracted, but not provided for:	
Property development projects	<u>509.3</u>

### **Contingent liabilities**

As at 31 December 2022, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of the Cosmopolitan Group's properties amounting to approximately RMB519.6 million (HK\$586.1 million). The Cosmopolitan Group's guarantee period started from the dates of grant of the relevant mortgage loans and ended upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which would generally complete within one to two years after the purchasers took possession of the relevant properties.

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

### **Share capital and convertible bonds**

During the year ended 31 December 2022, there were no changes in the share capital of Cosmopolitan and the convertible bonds of the Cosmopolitan Group.

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

During the year ended 31 December 2022, there were no material acquisitions or disposals of subsidiaries or associates of Cosmopolitan.

### **STAFF AND REMUNERATION POLICY**

The Cosmopolitan Group employed approximately 90 staff in Hong Kong and the PRC. The Cosmopolitan Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Cosmopolitan Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Cosmopolitan Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

**Business review**

The Cosmopolitan Group is principally engaged in property development and investment, which are mainly focused in the PRC, and other investments including financial assets investments.

Benefiting from the easing policies and measures introduced by the central government in China since the end of 2022 to support its real estate industry and the release of the pent-up demands that were accumulated during the pandemic times, the property market in China experienced a mild rebound in the first quarter of 2023. However, the rebound momentum was not able to sustain into the second quarter, mainly due to the weakness in export trade, domestic consumption and investment confidence. Overall, for the first half of 2023 as a whole, the performance of the real estate market in Mainland China remained relatively stagnant, particularly in the office and commercial sectors.

Most of the residential units in the entire Regal Cosmopolitan City development in Chengdu have already been sold and the remaining shops and car parks in stage 3 of the development, which was completed in the second quarter of 2022, will continue to be disposed of. The other components within this development mainly comprise a commercial complex (including a six-storey shopping mall podium), five towers of office accommodation and a hotel building, the development works for which are proceeding steadily. The presale of some of the office and shop units in one of the office towers has commenced in 2021 and 2022, respectively, but the sale progress was slow due to the sluggish market conditions. Up to 25 August 2023, only about 192 office and 5 shop units have been presold under contracts or subscribed by prospective purchasers.

The Cosmopolitan Group's other composite development in China is the Regal Renaissance in Tianjin. Apart from the residential units in the development that have been sold, the remaining components in this development mainly comprise two office towers and a four-storey commercial podium which have been completed in 2022. In view of the prevailing market environment, launching of a new sale programme will be deferred to a later appropriate time.

The policies introduced by government authorities in earlier years to restrict purchases of commodity properties in many Mainland China cities have been gradually released. However, due to the concerns over the possible slowdown in the economic growth in China, many home purchasers and investors are taking a wait-and-see attitude, which have suppressed the demands for different types of properties. At present, many real estate developers in China are still encountering severe liquidity strain on account of the slackened sales revenues and the difficulty to access new financings or

re-financings. The central government of China has recently reasserted the importance of the real estate industry as one of its economic pillars. It is believed that the central government of China will continue to implement supportive policies to ease market liquidity and to restore market confidence, with an aim to reinstating a steady and healthily growing real estate industry.

The Cosmopolitan Group remains optimistic of the prospects of the real estate market in China in the long term and anticipates that the remaining components in the Cosmopolitan Group's two development projects in Chengdu and Tianjin will be able to generate substantial revenues when the market conditions revive.

The Cosmopolitan Group has no immediate plans for material investments or capital assets, other than those disclosed above.

A brief review on the property projects currently undertaken by the Cosmopolitan Group in the PRC and the Cosmopolitan Group's other investments is set out below.

### **Property Development**

#### *Chengdu Project — Regal Cosmopolitan City*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

The development works of third stage were already completed. Nearly all of the residential units in the third stage have now already been sold. Total proceeds from the sales of the residential units amounted to approximately RMB2,047.0 million (HK\$2,203.6 million).

The sale of the shops with about 4,110 square metres (44,250 square feet) comprised in the third stage is in progress. Up to 25 August 2023, a total of 3,965 square meters (42,679 square feet) of shops have been sold or contracted to be sold, for aggregate sale considerations of approximately RMB91.9 million (HK\$98.9 million). The sale of the 1,389 car parking spaces is continuing and, up to 25 August 2023, 465 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB50.6 million (HK\$54.5 million). The procedures for the hand over of most of the shop units and car parking spaces sold have already been completed and the revenues accounted for in the preceding financial year.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate are in progress and expected to be completed before the end of 2023. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme are planned to commence after the procurement of the Completion Certificate and the hotel is scheduled to open in phases after the completion of the respective fitting-out works.

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are proceeding steadily. All the office towers, the commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall and certain of the office towers are also in progress.

The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), commenced in 2021. Up to 25 August 2023, 192 office units with a total of about 8,300 square metres (89,341 square feet) have been presold under contracts or subscribed by prospective purchasers, for an aggregate sale consideration of RMB72.0 million (HK\$77.5 million).

The presale of the shops of about 2,650 square metres (28,550 square feet) comprised in the commercial portion of the office tower on sale has also commenced in 2022. Up to 25 August 2023, a total of 5 shop units of about 274 square metres (2,949 square feet) have been presold under contracts, for aggregate sale considerations of approximately RMB8.1 million (HK\$8.7 million).

The sale programme for the units in the remaining four office towers will be launched with regard to the market environment.

#### *Tianjin Project — Regal Renaissance*

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

Nearly all of the residential units have been sold. The progress on the sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), has been relatively slow. Certain parts of the commercial complex have been leased out for rental income.

The superstructure works of the two office towers and the four-storey commercial podium have been completed and the Completion Certificates obtained in March 2022. The market repositioning works for the commercial podium are in progress. In view of the prevailing market environment, launching of a new sale programme for the commercial and office units will be deferred to a later appropriate time.

#### *Xinjiang Project*

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu undertaken in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan Group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (1,228,700 square metres) would be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Cosmopolitan Group continues to maintain the overall re-forested area. In the meanwhile, the Cosmopolitan Group is communicating with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that have been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan Group in the relevant re-forestation contract remain valid and effective.

### **Other Investments**

#### *Investment in shares of AMTD*

The Cosmopolitan Group holds 6,069,000 Class A ordinary shares (convertible into 3,034,500 American depositary shares) of AMTD as equity investments at fair value through other comprehensive income. AMTD is a reputable financial services provider in the Asia Pacific, with dual listings on the New York Stock Exchange and the Singapore Stock Exchange. The Cosmopolitan Group expects to be able to leverage on the strategic co-operative relationship with AMTD to explore and capture new business and investment opportunities through its intensive business network.

#### *PRC Real Estate Company*

The Cosmopolitan Group acquired an 80% equity interest in and provided pro rata shareholder's loan to an investee company incorporated in the PRC in July 2019. The investee company owned 10% equity interest in another PRC-incorporated real estate company that undertakes joint developments for both industry specific real estate and residential/commercial real estate in China. In December 2021, the Cosmopolitan Group entered into an agreement with an independent third party for the disposal of its entire 80% equity interest in and shareholder's loan to the abovementioned investee company at a consideration equal to the original investment cost of the Cosmopolitan Group, completion of which is expected to take place by the end of 2023 (as extended). Under the terms of the agreement, the Cosmopolitan Group has the right to repurchase the subject equity interest and shareholder's loan from the purchaser at the original consideration plus interest at 8% per annum at any time on or before 31 December 2024 (as extended).

#### *Investment in Interra Acquisition Corporation*

In September 2022, a wholly owned subsidiary of the Cosmopolitan Group subscribed for and was allocated a total of 12,210,000 Class A Shares (with attached warrants) of Interra Acquisition Corporation at a subscription price of approximately HK\$122.1 million. Interra is a special purpose acquisition company set up for the purpose effecting a De-SPAC Transaction and is listed on The Stock Exchange of Hong Kong Limited. The investment was funded by bank and other borrowings of the Cosmopolitan Group and under the terms of offering of Interra, subscribers are afforded redemption rights to protect their investments in the subscribed securities of Interra.

The Cosmopolitan Group considered that this investment in Interra could diversify the Cosmopolitan Group's investment portfolio and enable the Cosmopolitan Group to capture possible favourable investment returns. Detailed information on the Cosmopolitan Group's investment in Interra is contained in the joint announcement of Cosmopolitan published on 9 September 2022.

## **FINANCIAL REVIEW**

### **ASSETS VALUE**

As at 30 June 2023, the Cosmopolitan Group's net assets attributable to equity holders of the parent amounted to HK\$1,230.6 million, representing approximately HK\$0.14 per share (including ordinary share and convertible preference share).

### **CAPITAL RESOURCES AND FUNDING**

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

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

The acquisition of the two ongoing development projects in the PRC in 2013 were financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. With an objective to align the due dates of the considerations payable with the anticipated progress and completion schedules of the two development projects, by virtue of the agreements entered into between the Cosmopolitan Group and the vendors and completed in 2016, (i) the consideration payables owing to one of the vendors were refinanced by new 5-year loan facilities, and (ii) the consideration payable owing to the other vendor was repaid through its subscription of the optional convertible bonds issued by the Cosmopolitan Group.

In September 2021, the Cosmopolitan Group entered into a supplemental agreement with the Regal Group in relation to the loan facilities granted by the Regal Group in 2016, principally with the objective to extending the repayment date of the revised loan facilities in the aggregate amount of HK\$857.0 million from 12 October 2021 to 12 October 2024, in order that the Cosmopolitan Group can further align the timing for the repayment of the revised loan facilities with the latest sale progress and completion schedules of the Cosmopolitan Group's development projects in Chengdu and Tianjin.

Construction and related costs for the property projects for the time being are principally financed by internal resources, proceeds from the presale of the units and drawdown of loan facilities granted by the Regal Group as well as through other borrowings. Project financing may be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

#### **Cash Flows**

Net cash flows used in operating activities during the six months ended 30 June 2023 amounted to HK\$258.8 million. Net interest payment for the period amounted to HK\$6.3 million.

**Borrowings and Gearing**

As at 30 June 2023, the Cosmopolitan Group had cash and bank balances and deposits of HK\$110.9 million and the Cosmopolitan Group’s borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK\$1,361.2 million.

As at 30 June 2023, the gearing ratio of the Cosmopolitan Group was 34.2%, representing the Cosmopolitan Group’s borrowings including convertible bonds, net of cash and bank balances and deposits, of HK\$1,361.2 million, as compared to the total assets of the Cosmopolitan Group of HK\$3,982.5 million.

Details of the maturity profile of the borrowings of the Cosmopolitan Group as of 30 June 2023 are shown below:

**1. Interest bearing bank borrowing**

	<b>30 June 2023</b>	
	<i>Maturity</i>	<i>HK\$ million</i>
<b>Current</b>		
Bank loan – secured	2023	<u>12.5</u>
Analysed into:		
Bank loan repayable within one year		<u>12.5</u>

The Cosmopolitan Group’s facilities amounting to HK\$20.0 million, of which HK\$12.5 million had been utilised at 30 June 2023, were secured by the pledge of certain of the Cosmopolitan Group’s bank balances and financial assets at fair value through profit or loss amounting to HK\$23.9 million in aggregate. As at 30 June 2023, the outstanding loan facilities of the Cosmopolitan Group bore interest at the Hong Kong Interbank Offered Rate (“**HIBOR**”) plus an interest margin of 1.25% per annum. The interest bearing bank borrowing was denominated in Hong Kong dollars.

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**2. Other borrowings**

	<i>Notes</i>	<b>30 June 2023</b> <i>HK\$ million</i>
Secured notes	<i>(i)</i>	468.0
Other loans	<i>(ii)</i>	<u>695.2</u>
		<u><u>1,163.2</u></u>
Analysed into:		
Other borrowings repayable:		
Within one year		338.2
In the second year		357.0
In the third to fifth years, inclusive		<u>468.0</u>
		<u><u>1,163.2</u></u>

*Notes:*

- (i) On 19 September 2022, Cosmopolitan International Finance Limited (“**CIFL**”), a wholly owned subsidiary of Cosmopolitan, issued a 3-year unsecured note (“**Note A**”) in an aggregate nominal principal amount of US\$20.0 million at a coupon interest rate of HIBOR plus 0.6% per annum.

On 14 April 2023, CIFL issued a 3-year secured note (“**Note B**”) in an aggregate nominal principal amount of US\$40.0 million at a coupon interest rate of HIBOR plus 3.11% per annum.

Upon the issuance of Note B, the Cosmopolitan Group pledged the equity interest in a holding company of the Cosmopolitan Group’s property development project in Chengdu over both Note A and Note B.

- (ii) Other loans, comprising a term loan of HK\$357.0 million and revolving loan of HK\$338.2 million from a fellow subsidiary, are secured by the pledge over the equity interests in the relevant holding companies of the Cosmopolitan Group’s property development projects and bear interest at 5% per annum. The term loan is repayable on 12 October 2024 and is classified as non-current other borrowings. The revolving loan is classified as short-term borrowings.

**3. Convertible bonds**

As at 30 June 2023, the Cosmopolitan Group has issued one tranche of convertible bonds. Further details of the convertible bonds are set out as follows:

Purpose:	To provide additional capital to the Cosmopolitan Group
Convertible bonds:	CB 2026

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Issue date:	30 August 2021
Maturity date:	18 August 2026
Principal amount:	HK\$300,000,000
Coupon interest:	Zero coupon
Initial conversion price to ordinary shares of Cosmopolitan:	HK\$0.40 per share (subject to adjustment)
Conversion period:	At any time from 30 August 2021 to 11 August 2026
Maximum number of shares of Cosmopolitan to be converted based on initial conversion price:	750,000,000
Status as at 30 June 2023:	No conversion happened
Redemption:	If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 118.94% of their outstanding principal amounts.

**CB 2026**

On 4 August 2021, Cosmopolitan entered into a deed of variation with the holder of the outstanding convertible bonds issued by the Cosmopolitan Group. The maturity date of the convertible bonds in the principal amount of HK\$300.0 million was extended to 18 August 2026 (“**CB 2026**”) with terms set out above.

CB 2026 contains two components: equity component and liability component. The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in reserve. The effective interest rates of the liability components of CB 2026 is 6.22%.

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**APPENDIX III                      MANAGEMENT DISCUSSION AND ANALYSIS ON THE  
COSMOPOLITAN GROUP**

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

	<b>Equity component</b> <i>HK\$ million</i>	<b>Liability component</b> <i>HK\$ million</i>	<b>Total</b> <i>HK\$ million</i>
At 1 January 2023	560.2	287.5	847.7
Interest expenses	<u>–</u>	<u>8.9</u>	<u>8.9</u>
At 30 June 2023	<u><u>560.2</u></u>	<u><u>296.4</u></u>	<u><u>856.6</u></u>

**Lease Liabilities**

As at 30 June 2023, the Cosmopolitan Group had lease liabilities of HK\$1.3 million.

**Pledge of Assets**

As at 30 June 2023, certain of the Cosmopolitan Group’s bank deposits and financial assets at fair value through profit or loss in the amount of HK\$23.9 million were pledged to secure general banking facilities granted to the Cosmopolitan Group.

In addition, the Cosmopolitan Group’s equity interests in the relevant holding companies of the Cosmopolitan Group’s property development projects were pledged to secure the other borrowings.

**Capital commitments**

Details of the capital commitments of the Cosmopolitan Group as at 30 June 2023 are shown below:

	<b>30 June 2023</b> <i>HK\$ million</i>
Contracted, but not provided for:	
Property development projects	<u><u>424.6</u></u>

### **Contingent liabilities**

As at 30 June 2023, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of the Cosmopolitan Group's properties amounting to approximately RMB478.3 million (HK\$515.8 million). The Cosmopolitan Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

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

### **Share capital and convertible bonds**

During the six months period ended 30 June 2023, there were no changes in the share capital of Cosmopolitan and the convertible bonds of the Cosmopolitan Group.

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

During the six months period ended 30 June 2023, there were no material acquisitions or disposals of subsidiaries or associates of Cosmopolitan.

### **STAFF AND REMUNERATION POLICY**

The Cosmopolitan Group employed approximately 90 staff in Hong Kong and the PRC. The Cosmopolitan Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Cosmopolitan Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Cosmopolitan Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Paliburg Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Paliburg. The Paliburg Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in shares, underlying shares and debentures of Paliburg and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Paliburg Directors and chief executive of Paliburg in the shares, underlying shares and debentures of Paliburg or any associated corporation (within the meaning of Part XV of the SFO) of Paliburg, which (a) are required to be notified to Paliburg and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of SFO); (b) are as recorded in the register required to be kept under section 352 of the SFO; or (c) are as otherwise notified to Paliburg 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:

Paliburg/ Name of associated corporation	Name of Paliburg Director	Class of shares held	Number of shares held			Family/ Other interests	Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests			
1. 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%)	
	Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	-	-	50,185 (0.005%)	
	Miss Lo Po Man	Ordinary (issued)	1,116,000	-	-	1,116,000 (0.10%)	
	Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	-	-	176,200 (0.02%)	
	Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	-	-	6,200 (0.001%)	

	Paliburg/ Name of associated corporation	Name of Paliburg Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Personal interests	Corporate interests	Family/ Other interests	
2.	Century City	Mr. Lo Yuk Sui	Ordinary (issued)	111,815,396	2,032,315,326 (Note a)	380,683	2,144,511,405 (69.34%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
3.	Regal	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss Lo Po Man	Ordinary (issued)	300,000	269,169 (Note d)	–	569,169 (0.06%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan	Mr. Lo Yuk Sui	Ordinary (i) (issued) (ii) (unissued)	–	5,121,012,144 (Note e) 3,045,487,356 (Note f)	–	5,121,012,144 3,045,487,356
			Preference (issued)	–	2,295,487,356 (Note f)	–	2,295,487,356 (99.99%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.04%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.02%)
5.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note h)	–	1,000 (100%)
						Total:	8,166,499,500 (127.75%)

*Notes:*

- (a) (i) The interests in 1,973,420,928 issued ordinary shares of Century City were held through companies wholly-owned by Mr. Lo Yuk Sui (“**Mr. Lo**”).
- (ii) The interests in the other 58,894,398 issued ordinary shares of Century City were derivative interests held by YSL International Holdings Limited (“**YSL Int’l**”), a company wholly-owned by Mr. Lo, under the right of first refusal to purchase such shares granted by the Dalton Group (comprising Dalton Investments LLC and its two affiliates).
- (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 67.43% shareholding interests.

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

<b>Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
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:

<b>Name of corporation</b>	<b>Controlled by</b>	<b>% of control</b>
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 67.43% shareholding interests. The interests in 622,433,861 issued ordinary shares of Regal were held through companies wholly-owned by Paliburg, in which Century City held 62.28% shareholding interests. Paliburg held 69.25% shareholding interests in Regal.
- (d) The interests in 269,169 issued ordinary shares of Regal were held through a company wholly-owned by Miss Lo Po Man.
- (e) (i) The interests in 3,154,167,480 issued Existing Cosmo 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 1,065,191,332 issued Existing Cosmo Shares were held through wholly-owned subsidiaries of Regal. The interests in the other 533,333,332 issued Existing Cosmo Shares were held through wholly-owned subsidiaries of Paliburg. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 67.43% shareholding interests in Century City.
- (ii) The interests in 368,320,000 issued Existing Cosmo Shares were held by Valuegood, a wholly-owned subsidiary of P&R, as the purchaser to acquire such shares from Cosmo Shares Vendor under the Cosmo Shares Transfer Agreement. Completion of the Cosmo Shares Transfer Agreement is subject to fulfilment of certain conditions on or before 31 December 2023.

- (f) The interests in 3,045,487,356 unissued Existing Cosmo 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 67.43% shareholding interests in Century City.

The interests in 2,295,487,356 unissued Existing Cosmo Shares are derivative interests held through interests in 2,295,487,356 Cosmo Convertible Preference Shares, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the Cosmo Convertible Preference Shares).

The interests in 750,000,000 unissued Existing Cosmo Shares are derivative interests held through interests in the convertible bonds in the principal amount of HK\$300,000,000 issued by a wholly-owned subsidiary of Cosmopolitan. The Cosmo Convertible Bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

- (g) The interests in 2,439,613,739 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. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 67.43% shareholding interests in Century City.

- (h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 67.43% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at the Latest Practicable Date, none of the Paliburg Directors and chief executive of Paliburg had any interests and short positions in the shares, underlying shares and debentures of Paliburg or any associated corporation (within the meaning of Part XV of the SFO) of Paliburg, which (a) are required to be notified to Paliburg and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of SFO); (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code, to be notified to Paliburg and the Stock Exchange.

**(b) Substantial shareholders' interests**

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

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying (unissued) ordinary shares held	Total number of ordinary shares (issued and underlying (unissued)) held	Approximate percentage of issued ordinary shares as at the Latest Practicable Date
YSL Int'l (Note i)	694,124,547	–	694,124,547	62.28%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	694,124,547	–	694,124,547	62.28%
Century City (Note iii)	694,124,547	–	694,124,547	62.28%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	694,124,547	–	694,124,547	62.28%
Almighty International Limited ("Almighty") (Note iv)	346,994,526	–	346,994,526	31.13%
Cleerview Investments Limited ("Cleerview") (Note iv)	180,811,470	–	180,811,470	16.22%

*Notes:*

- (i) The interests in the ordinary shares of Paliburg held by YSL Int'l were included in the corporate interests of Mr. Lo in the ordinary shares of Paliburg as disclosed under the section headed "Directors' interests and short positions in shares, underlying shares and debentures of Paliburg and its associated corporations" above.
- (ii) Grand Modern is a wholly-owned subsidiary of YSL Int'l and its interests in the ordinary shares of Paliburg were included in the interests held by YSL Int'l.
- (iii) Century City is owned as to 52.72% by Grand Modern and its interests in the ordinary shares of Paliburg were included in the interests held by Grand Modern.
- (iv) These companies are wholly-owned subsidiaries of Century City and their interests in the ordinary shares of Paliburg were included in the interests held by Century City.

Save as disclosed herein, the Paliburg Directors and the chief executive of Paliburg are not aware that there is any person (not being a director or chief executive of Paliburg) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of Paliburg which are recorded in the register required to be kept under section 336 of the SFO or notified to Paliburg pursuant to the SFO.

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

- (1) Mr. Lo is a director of YSL Int'l.
- (2) Mr. Lo, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Grand Modern.
- (3) Mr. Lo, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Ms. Winnie Ng and Mr. Wong Chi Keung are directors of Century City.
- (4) Mr. Lo, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

### **3. DIRECTORS' COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Paliburg Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Paliburg Group other than those businesses to which the Paliburg Directors and his/her associates were appointed to represent the interests of Paliburg and/or the Paliburg Group.

### **4. DIRECTOR'S SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Paliburg Directors had entered into, or proposed to enter into, any service contract with any member of the Paliburg Group which would not expire or would not be determinable by the Paliburg Group within one year without payment of compensation (other than statutory compensation).

### **5. DIRECTORS' OTHER INTEREST**

As at the Latest Practicable Date, none of the Paliburg Directors had any direct or indirect interest in any assets which have, since 31 December 2022, being the date to which the latest published audited financial statements of the Paliburg Group were made up, been acquired or disposed of by or leased to any member of the Paliburg Group or were proposed to be acquired or disposed of by or leased to, any member of the Paliburg Group.

### **6. LITIGATION**

As at the Latest Practicable Date, none of the members of the Paliburg Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Paliburg Directors to be pending or threatened against any member of the Paliburg Group.

## 7. EXPERT AND CONSENT

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

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

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

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

As at the Latest Practicable Date, Ernst & Young did not have any direct or indirect interest in any assets which have since 31 December 2022 (being the date to which the latest published audited consolidated accounts of the Paliburg Group were made up) been acquired or disposed of by or leased to any member of the Paliburg Group or are proposed to be acquired or disposed of by or leased to any member of the Paliburg Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Paliburg Group within the two years immediately preceding the date of this circular which is or may be material:

- (a) the AMTD Shares Transfer Agreement; and
- (b) the Cosmo Shares Transfer Agreement.

## 9. GENERAL

- (a) The registered office of Paliburg is 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (b) The head office and principal place of business of Paliburg in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.
- (c) Ms. Eliza Lam Sau Fan (“**Ms. Lam**”) is the company secretary of Paliburg. Ms. Lam is an associate of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.

- (d) The Bermuda principal share registrar office of Paliburg is MUFG Fund Services (Bermuda) Limited, at 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (e) The Hong Kong branch share registrar and transfer office of Paliburg is Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (f) The circular is prepared in both English and Chinese. In the event of inconsistency, English text shall prevail over its Chinese text unless otherwise specified.

#### **10. DOCUMENTS ON DISPLAY**

Copies of the following documents are published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of Paliburg ([www.paliburg.com.hk](http://www.paliburg.com.hk)) from the date of this circular for a period of 14 days:

- (a) the written consent referred in section headed “7. Expert and consent” above;
- (b) the material contracts referred in section headed “8. Material contracts” above; and
- (c) the letter on the unaudited pro forma financial information of the Paliburg Group issued by Ernst & Young as set out in Appendix II to this circular.