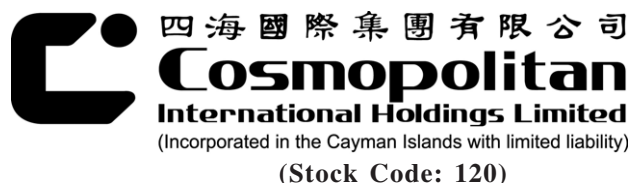

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of **Cosmopolitan International Holdings Limited**.



(I) PROPOSED COSMOPOLITAN SHARE CONSOLIDATION

(II) PROPOSED COSMOPOLITAN OPEN OFFER OF COSMOPOLITAN OPEN OFFER SHARES AND/OR COSMOPOLITAN CONVERTIBLE PREFERENCE SHARES AND

(III) PROPOSED ISSUE OF COSMOPOLITAN CONVERTIBLE BONDS AND POSSIBLE ISSUE OF COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS

Financial adviser to **Cosmopolitan International Holdings Limited**



Independent financial adviser
to **Cosmopolitan Independent Board Committee and Cosmopolitan Independent Shareholders**



The notice convening the **Cosmopolitan EGM** to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 14 July 2014 at 11:15 a.m. is appended to this circular. A form of proxy for the **Cosmopolitan EGM** is enclosed with this circular. Whether or not you intend to attend the **Cosmopolitan EGM**, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to **Cosmopolitan's** share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the **Cosmopolitan EGM** or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the **Cosmopolitan EGM** or any adjourned meeting should you so wish.

The **Cosmopolitan Consolidated Shares** will be dealt in on an ex-entitlement basis from Wednesday, 16 July 2014. It is expected that the conditions referred to in the section headed "Conditions of the **Cosmopolitan Open Offer**" in Appendix I to this circular are to be fulfilled on or before 4:00 p.m. on Friday, 8 August 2014. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the **Cosmopolitan Open Offer** will not proceed.

It should be noted that the Underwriting Agreement contains provisions entitling Underwriter by notice in writing to **Cosmopolitan** at any time prior to the Latest Time for Termination to terminate their obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 10 to 11 of this circular. Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease. Neither the Underwriter nor **Cosmopolitan** shall have any claim against the other party in respect of the Underwriting Agreement, except that the costs and expenses incurred prior to the termination of the Underwriting Agreement remain payable by **Cosmopolitan** pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the **Cosmopolitan Open Offer** will not proceed.

20 June 2014

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DEFINITIONS

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

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

DEFINITIONS

“Cosmopolitan Converted Shares”	the new Cosmopolitan Consolidated Shares to be issued upon exercise of the conversion rights under the Cosmopolitan Convertible Preference Shares
“Cosmopolitan Convertible Bonds”	the convertible bonds of Cosmopolitan with a principal amount of HK\$500 million to be issued pursuant to the Cosmopolitan Convertible Bonds Subscription Agreement
“Cosmopolitan Convertible Bonds Subscription Agreement”	the subscription agreement dated 30 April 2014 (as supplemented by a supplemental agreement dated 19 June 2014) entered into between Cosmopolitan and P&R in respect of the subscription of the Cosmopolitan Convertible Bonds and the possible subscription of the Cosmopolitan Optional Convertible Bonds
“Cosmopolitan Convertible Preference Shares”	the convertible preference shares of Cosmopolitan, principal terms of which are set out in the paragraph headed “Summary of the principal terms of the Cosmopolitan Convertible Preference Shares” in Appendix I to this circular, to be issued under the Cosmopolitan Open Offer
“Cosmopolitan Director(s)”	the director(s) of Cosmopolitan
“Cosmopolitan EGM”	the extraordinary general meeting of Cosmopolitan convened to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 14 July 2014 at 11:15 a.m. to consider and, if thought fit, approve the Cosmopolitan Share Consolidation, the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Cosmopolitan Independent Board Committee”	an independent committee of the Cosmopolitan Board comprising Ms. Judy Chen Qing, Mr. Lee Choy Sang and Mr. David Li Ka Fai, all being independent non-executive Cosmopolitan Directors, formed for the purpose of advising the Cosmopolitan Independent Shareholders on (i) the Cosmopolitan Open Offer; and (ii) the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds

DEFINITIONS

“Cosmopolitan Independent Financial Adviser” or “Goldin”	Goldin Financial Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed to advise the Cosmopolitan Independent Board Committee and the Cosmopolitan Independent Shareholders in relation to (i) the Cosmopolitan Open Offer; and (ii) the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds
“Cosmopolitan Independent Shareholders”	the Cosmopolitan Shareholders other than P&R and its associates
“Cosmopolitan Open Offer”	the invitation to the Cosmopolitan Qualifying Shareholders to subscribe for the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares at the Cosmopolitan Subscription Price on the terms and subject to the conditions set out or referred to in the Cosmopolitan Open Offer Documents, material terms of which are set out in Appendix I to this circular
“Cosmopolitan Open Offer Documents”	the Cosmopolitan Prospectus and the Cosmopolitan Application Forms
“Cosmopolitan Open Offer Entitlement(s)”	an entitlement to subscribe for Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares allocated to a Cosmopolitan Qualifying Shareholder pursuant to the Cosmopolitan Open Offer, as summarised in Appendix I to this circular
“Cosmopolitan Open Offer Share(s)”	new Cosmopolitan Consolidated Share(s) to be issued and allotted under the Cosmopolitan Open Offer
“Cosmopolitan Optional CB Conversion Price”	the price at which each Cosmopolitan Optional Conversion Share will be issued upon conversion of the relevant Cosmopolitan Optional Convertible Bonds
“Cosmopolitan Optional Conversion Share(s)”	the new Cosmopolitan Consolidated Share(s) to be issued upon exercise of the conversion rights under the Cosmopolitan Optional Convertible Bonds
“Cosmopolitan Optional Convertible Bonds”	the convertible bonds of Cosmopolitan with a principal amount of up to HK\$500 million to be issued pursuant to the Cosmopolitan Convertible Bonds Subscription Agreement

DEFINITIONS

“Cosmopolitan Overseas Shareholder(s)”	the Cosmopolitan Shareholder(s) whose name(s) appear on the register of members of Cosmopolitan at the close of business on the Cosmopolitan Record Date and whose address(es) as shown on such register are in place(s) outside Hong Kong or at that time who are otherwise known by Cosmopolitan to be resident(s) outside Hong Kong
“Cosmopolitan Prospectus”	the prospectus to be issued by Cosmopolitan to the Cosmopolitan Shareholders containing details of the Cosmopolitan Open Offer
“Cosmopolitan Prospectus Posting Date”	the date on which the Cosmopolitan Open Offer Documents shall be issued and despatched to the Cosmopolitan Shareholders, currently being scheduled on Thursday, 24 July 2014, according to the expected timetable of the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer (or such other date as Cosmopolitan and the Underwriter may agree in writing)
“Cosmopolitan Qualifying Shareholders”	the Cosmopolitan Shareholders, other than the Excluded Cosmopolitan Shareholders, whose names appear on the register of members of Cosmopolitan at the close of business on the Cosmopolitan Record Date
“Cosmopolitan Record Date”	currently being scheduled on Monday, 21 July 2014, according to the expected timetable of the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer (or such other date as Cosmopolitan may determine for the determination of the Cosmopolitan Open Offer Entitlements)
“Cosmopolitan Share(s)”	ordinary share(s) of HK\$0.0002 each in the share capital of Cosmopolitan
“Cosmopolitan Share Consolidation”	the share consolidation on the basis of every ten (10) issued and unissued Cosmopolitan Shares of par value HK\$0.0002 each into one (1) Cosmopolitan Consolidated Share of par value HK\$0.002
“Cosmopolitan Shareholder(s)”	the holder(s) of the Cosmopolitan Share(s) or the Cosmopolitan Consolidated Share(s)
“Cosmopolitan Subscription Price”	HK\$0.10 per Cosmopolitan Open Offer Share or per Cosmopolitan Convertible Preference Share

DEFINITIONS

“Excluded Cosmopolitan Shareholder(s)”	those Cosmopolitan Overseas Shareholder(s) with registered address(es) in the territory(ies) where, based on legal opinions provided by the relevant foreign legal advisers, there may be legal restrictions (under the laws of the relevant place(s) and the requirements of the relevant regulatory bodies or stock exchanges), other restrictions, impracticality or difficulties for Cosmopolitan’s making the Cosmopolitan Open Offer to such Cosmopolitan Overseas Shareholder(s)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Irrevocable Undertaking”	the irrevocable undertaking dated 30 April 2014 given by P&R, on behalf of certain of its wholly-owned subsidiaries, in favour of Cosmopolitan and the Underwriter as set out in the section headed “Irrevocable Undertaking” in Appendix I to this circular
“Last Trading Day”	30 April 2014, being the last whole trading day which was immediately prior to the entering into of the Underwriting Agreement
“Latest Application Date”	currently being scheduled on Thursday, 7 August 2014, according to the expected timetable of the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer, by which date the Cosmopolitan Application Forms together with the payment must be received by the share registrar of Cosmopolitan in Hong Kong to participate in the Cosmopolitan Open Offer
“Latest Practicable Date”	16 June 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	currently being scheduled at 4:00 p.m. on Thursday, 7 August 2014, according to the expected timetable of the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer, being the latest time for acceptance of and payment for the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares and excess application for the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares
“Latest Time for Termination”	currently being scheduled at 4:00 p.m. on the business day after the Latest Application Date, according to the expected timetable of the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer

DEFINITIONS

“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange (stock code: 617)
“Paliburg Group”	Paliburg and its subsidiaries and, for the purpose of this circular, excluding the Regal Group, the P&R Group and the Cosmopolitan Group
“P&R”	P&R Holdings Limited, a company owned as to 50% by Paliburg Group and 50% by Regal Group
“P&R Group”	P&R and its subsidiaries and, for the purpose of this circular, excluding the Cosmopolitan Group
“PRC” or “China” or “Mainland China”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange (stock code: 78)
“Regal Group”	Regal and its subsidiaries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriter”	P&R Strategic Limited, a wholly-owned subsidiary of P&R
“Underwriting Agreement”	the underwriting agreement dated 30 April 2014 (as supplemented by a supplemental agreement dated 19 June 2014) entered into between Cosmopolitan and the Underwriter in respect of the Cosmopolitan Open Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

EXPECTED TIMETABLE

The expected timetable for the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer is set out below:

Event	2014
Date of despatch of this circular and the notice of the Cosmopolitan EGM	Friday, 20 June
Latest time for lodging proxy form for the Cosmopolitan EGM	11:15 a.m. on Saturday, 12 July
Date and time of the Cosmopolitan EGM	11:15 a.m. on Monday, 14 July
Announcement of results of the Cosmopolitan EGM.	Monday, 14 July
Expected effective date for the Cosmopolitan Share Consolidation.	Tuesday, 15 July
Commencement of dealings in the Cosmopolitan Consolidated Shares	9:00 a.m. on Tuesday, 15 July
Original counter for trading in existing Cosmopolitan Shares in board lots of 20,000 Cosmopolitan Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 15 July
Temporary counter for trading in the Cosmopolitan Consolidated Shares in board lots of 2,000 Cosmopolitan Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 15 July
First day for the free exchange of existing share certificates of the Cosmopolitan Shares into new share certificates of the Cosmopolitan Consolidated Shares	Tuesday, 15 July
Last day of dealings in the Cosmopolitan Consolidated Shares on a cum-entitlement basis	Tuesday, 15 July
First day of dealings in the Cosmopolitan Consolidated Shares on an ex-entitlement basis	Wednesday, 16 July
Latest time for lodging transfers of the Cosmopolitan Consolidated Shares to qualify for the Cosmopolitan Open Offer	4:30 p.m. on Thursday, 17 July
Register of members closes (both dates inclusive)	Friday, 18 July to Monday, 21 July
Cosmopolitan Record Date	Monday, 21 July

EXPECTED TIMETABLE

Event	2014
Register of members re-opens	Tuesday, 22 July
Date of despatch of the Cosmopolitan Open Offer Documents	Thursday, 24 July
Designated broker starts to stand in the market to provide matching services for odd lots of the Cosmopolitan Consolidated Shares	9:00 a.m. on Tuesday, 29 July
Original counter for trading in the Cosmopolitan Consolidated Shares in board lots of 20,000 Cosmopolitan Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 29 July
Parallel trading in Cosmopolitan Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Tuesday, 29 July
Latest Time for Acceptance of and payment for the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares and excess application for the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares	4:00 p.m. on Thursday, 7 August
Latest Time for Termination of the Cosmopolitan Open Offer	4:00 p.m. on Friday, 8 August
Announcement of results of the Cosmopolitan Open Offer to be published on Cosmopolitan's website (www.cosmoholdings.com) and the Stock Exchange's website (www.hkexnews.hk)	Thursday, 14 August
Certificates for the fully-paid Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares expected to be despatched on or before	Monday, 18 August
Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications on or before	Monday, 18 August
Temporary counter for trading in the Cosmopolitan Consolidated Shares in board lots of 2,000 Cosmopolitan Consolidated Shares (in the form of existing certificates) closes	4:00 p.m. on Monday, 18 August

EXPECTED TIMETABLE

Event	2014
Parallel trading in the Cosmopolitan Consolidated Shares (represented by both existing share certificates and new share certificates) ends	4:00 p.m. on Monday, 18 August
Designated broker ceases to stand in the market to provide matching services for odd lots of the Cosmopolitan Consolidated Shares	4:00 p.m. on Monday, 18 August
Dealings in the fully-paid Cosmopolitan Open Offer Shares expected to commence on	9:00 a.m. on Tuesday, 19 August
Last day for free exchange of existing share certificates of the Cosmopolitan Shares into new share certificates of the Cosmopolitan Consolidated Shares	Wednesday, 20 August

Dates or deadlines specified in this circular refer to Hong Kong local times and dates and are indicative only and may be extended or varied by agreement between Cosmopolitan and the Underwriter. Any changes to the expected timetable above will be published or the Cosmopolitan Shareholders will be notified otherwise as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE COSMOPOLITAN OPEN OFFER SHARES AND/OR COSMOPOLITAN CONVERTIBLE PREFERENCE SHARES AND EXCESS APPLICATION FOR THE COSMOPOLITAN OPEN OFFER SHARES AND/OR THE COSMOPOLITAN CONVERTIBLE PREFERENCE SHARES

All times in this circular refer to Hong Kong time. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Thursday, 7 August 2014:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same business day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

Dates or deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied between Cosmopolitan and the Underwriter. Any changes to the anticipated timetable for the Cosmopolitan Open Offer will be announced as and when appropriate.

TERMINATION OF THE UNDERWRITING AGREEMENT

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

- (a) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that, any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change of the Cosmopolitan Group as a whole or is otherwise likely to have a material and adverse effect on the Cosmopolitan Open Offer;
- (b) Cosmopolitan commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or
- (c)
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);
 - (iii) any change in local, national or international equity securities or currency markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (v) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Cosmopolitan Group or a material proportion of the Cosmopolitan Shareholders in their capacity as such;
 - (vi) any suspension in the trading of the Cosmopolitan Shares on the Stock Exchange for a continuous period of 5 business days;
 - (vii) any change occurs in the circumstances of Cosmopolitan or any member of the Cosmopolitan Group,

TERMINATION OF THE UNDERWRITING AGREEMENT

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

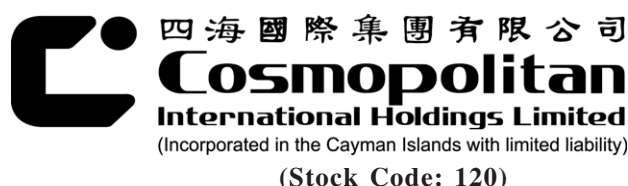
- (1) likely to have a material adverse effect on the business, financial position or prospects of the Cosmopolitan Group taken as a whole;
- (2) likely to have a material adverse effect on the success of the Cosmopolitan Open Offer or the level of applications for the Cosmopolitan Open Offer submitted;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

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

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

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

LETTER FROM THE COSMOPOLITAN BOARD



Executive Cosmopolitan Directors:

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)
Mr. Jimmy LO Chun To (*Vice Chairman and Managing Director*)
Miss LO Po Man (*Vice Chairman*)
Mr. Kenneth WONG Po Man (*Chief Operating Officer*)
Mr. Kelvin LEUNG So Po (*Chief Financial Officer*)
Mr. Daniel BONG Shu Yin
Mr. Kenneth NG Kwai Kai

Non-executive Cosmopolitan Director:

Mr. Francis BONG Shu Ying

Independent non-executive Cosmopolitan Directors:

Ms. Judy CHEN Qing
Ms. Alice KAN Lai Kuen
Mr. LEE Choy Sang
Mr. David LI Ka Fai
Hon. Abraham SHEK Lai Him, GBS, JP

Registered office:

P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

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

11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

20 June 2014

To the Cosmopolitan Shareholders

Dear Sir or Madam,

(I) PROPOSED COSMOPOLITAN SHARE CONSOLIDATION

**(II) PROPOSED COSMOPOLITAN OPEN OFFER OF
COSMOPOLITAN OPEN OFFER SHARES AND/OR
COSMOPOLITAN CONVERTIBLE PREFERENCE SHARES**

AND

**(III) PROPOSED ISSUE OF COSMOPOLITAN CONVERTIBLE BONDS AND
POSSIBLE ISSUE OF COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS**

LETTER FROM THE COSMOPOLITAN BOARD

(A) INTRODUCTION

Reference is made to (i) the joint announcement of Cosmopolitan, Century City, Paliburg and Regal dated 30 April 2014 in relation to, among others, (a) the proposed Cosmopolitan Share Consolidation and the proposed change of board lot size; (b) the proposed Cosmopolitan Open Offer; and (c) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds; and (ii) the joint announcement of Cosmopolitan, Century City, Paliburg and Regal dated 19 June 2014 in relation to, among others, (a) the change in the expected timetable for the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer; (b) the extension of the long stop date of the Cosmopolitan Open Offer; (c) the extension of the long stop date of the proposed issue of the Cosmopolitan Convertible Bonds and possible issue of the Cosmopolitan Optional Convertible Bonds; and (d) the amendment of the proposed change of board lot size.

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

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

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On 19 June 2014, Cosmopolitan announced the change in the expected timetable for the Cosmopolitan Share Consolidation and the Cosmopolitan Open Offer (which is set out in the “Expected timetable” section in this circular). On 19 June 2014 (after trading hours), Cosmopolitan and the Underwriter entered into the supplemental agreement, pursuant to which Cosmopolitan and the Underwriter have agreed to extend the long stop date for fulfillment of the conditions precedent as set out in the Underwriting Agreement from 30 June 2014 to 31 August 2014. On 19 June 2014 (after trading hours), Cosmopolitan and P&R entered into another supplemental agreement, pursuant to which Cosmopolitan and P&R have agreed to extend the long stop date for fulfillment of the conditions precedent as set out in the Cosmopolitan Convertible Bonds Subscription Agreement from 31 July 2014 to 31 August 2014. On the same date, Cosmopolitan amended the proposed change in the board lot size for trading in the ordinary shares of Cosmopolitan upon the Cosmopolitan Share Consolidation becoming effective as the proposed board lot value is likely to be less than HK\$2,000 upon the Share Consolidation becoming effective based on the current market price of the Cosmopolitan Shares. The amended board lot size for trading in the Consolidated Shares will be at 20,000 Consolidated Shares upon the Share Consolidation becoming effective.

The purpose of this circular is to provide you with, among other things, (i) further details of the proposed Cosmopolitan Share Consolidation, the proposed Cosmopolitan Open Offer, and the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds; (ii) a letter from the Cosmopolitan Independent Board Committee to the Cosmopolitan Independent Shareholders in relation to the proposed Cosmopolitan Open Offer and the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds; (iii) a letter of advice from Goldin to the Cosmopolitan Independent Board Committee and the Cosmopolitan Independent Shareholders in relation to the proposed Cosmopolitan Open Offer and the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds; (iv) the financial information of the Cosmopolitan Group; (v) the unaudited pro forma adjusted consolidated net tangible assets of the Cosmopolitan Group; and (vi) the notice of Cosmopolitan EGM.

(B) PROPOSED COSMOPOLITAN SHARE CONSOLIDATION

On 30 April 2014, Cosmopolitan proposed to implement the Cosmopolitan Share Consolidation on the basis that every ten (10) issued and unissued Cosmopolitan Shares of par value HK\$0.0002 each will be consolidated into one (1) Cosmopolitan Consolidated Share of par value HK\$0.002.

Effects of the Cosmopolitan Share Consolidation

As at the Latest Practicable Date, the authorised share capital of Cosmopolitan amounts to HK\$250,000,000 divided into 1,250,000,000,000 Cosmopolitan Shares, of which 21,988,047,615 Cosmopolitan Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Cosmopolitan Share Consolidation becoming effective, on the basis that Cosmopolitan does not allot, issue or repurchase any further Cosmopolitan Shares prior thereto, the authorised share capital of Cosmopolitan shall remain as HK\$250,000,000 but will be divided into 125,000,000,000 Cosmopolitan Consolidated Shares, of which 2,198,804,761 Cosmopolitan Consolidated Shares will be in issue. Upon the Cosmopolitan Share Consolidation becoming effective, the Cosmopolitan Consolidated Shares will rank *pari passu* in all respects with each other.

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Listing application

Application will be made by Cosmopolitan to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Cosmopolitan Consolidated Shares in issue and to be issued upon the Cosmopolitan Share Consolidation becoming effective. All necessary arrangements will be made for the Cosmopolitan Consolidated Shares to be admitted into CCASS. The Cosmopolitan Share Consolidation will be conducted in accordance with the provisions in the Cosmopolitan Articles of Association.

Dealings of the Cosmopolitan Consolidated Shares

The Cosmopolitan Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Cosmopolitan Consolidated Shares on the Stock Exchange, the Cosmopolitan Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Cosmopolitan Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Other than the expenses to be incurred in relation to the Cosmopolitan Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of Cosmopolitan or the interests or rights of the Cosmopolitan Shareholders, save for any fractional Cosmopolitan Consolidated Shares to which Cosmopolitan Shareholders will not be entitled.

Conditions of the Cosmopolitan Share Consolidation

The Cosmopolitan Share Consolidation is conditional on:

- (i) the passing by the Cosmopolitan Shareholders of an ordinary resolution to approve the Cosmopolitan Share Consolidation at the Cosmopolitan EGM; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Cosmopolitan Consolidated Shares in issue and to be issued upon the Cosmopolitan Share Consolidation becoming effective.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Cosmopolitan Consolidated Shares, Cosmopolitan has appointed South China Securities Limited to act as matching agent in providing “matching service”, on a best effort basis, to those Cosmopolitan Shareholders who wish to acquire odd lots of the Cosmopolitan Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Cosmopolitan Consolidated Shares during the period from 9:00 a.m. on

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Tuesday, 29 July 2014 to 4:00 p.m. on Monday, 18 August 2014, both dates inclusive. Holders of odd lots of the Cosmopolitan Consolidated Shares who wish to take advantage of this facility may directly or through their brokers, contact Ms. Michelle Lee (telephone: (852) 3196-6237 and facsimile: (852) 3101-9200) of South China Securities Limited at 28/F., Bank of China Tower, No. 1 Garden Road, Central, Hong Kong during such period.

Holders of odd lots of the Cosmopolitan Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Cosmopolitan Consolidated Shares are not guaranteed. If any Cosmopolitan Shareholder is in doubt about the odd lot trading arrangement, such Cosmopolitan Shareholder should consult his/her/its own professional advisers.

Fractional entitlements

Fractional Cosmopolitan Consolidated Shares, i.e. less than one Cosmopolitan Consolidated Share, will be disregarded and will not be issued to the Cosmopolitan Shareholders but all such fractional Cosmopolitan Consolidated Shares will be aggregated and, if possible, sold for the benefits of Cosmopolitan.

Exchange of share certificates

Subject to the Cosmopolitan Share Consolidation becoming effective, which is expected to be at 9:00 a.m. on Tuesday, 15 July 2014, being the business day immediately after the date of the Cosmopolitan EGM, Cosmopolitan Shareholders may, on or after 9:00 a.m. on Tuesday, 15 July 2014 until 4:00 p.m. on Wednesday, 20 August 2014 (both days inclusive) submit share certificates for existing Cosmopolitan Shares in yellow colour to Cosmopolitan's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, to exchange, at the expense of Cosmopolitan, for certificates in brown colour for the Cosmopolitan Consolidated Shares with a new par value of HK\$0.002 each. It is expected that the new share certificates for the Cosmopolitan Consolidated Shares will be available for collection within 10 business days after the submission of the existing share certificates to the share registrar of Cosmopolitan in Hong Kong for exchange. Thereafter, certificates for the existing Cosmopolitan Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each certificate for the Cosmopolitan Consolidated Shares issued or each share certificate for the existing Cosmopolitan Shares submitted for cancellation, whichever the number of certificates involved is higher.

Nevertheless, the existing certificates for the Cosmopolitan Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Cosmopolitan Consolidated Shares at any time at the expense of the Cosmopolitan Shareholders but are not acceptable for trading, settlement and delivery purpose after 4:00 p.m. on Monday, 18 August 2014, being the last day of operation of the temporary counter for trading in Cosmopolitan Consolidated Shares in board lots of 2,000 Cosmopolitan Consolidated Shares.

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(C) PROPOSED COSMOPOLITAN OPEN OFFER, THE IRREVOCABLE UNDERTAKING AND THE UNDERWRITING ARRANGEMENT

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

(D) PROPOSED ISSUE OF THE COSMOPOLITAN CONVERTIBLE BONDS AND THE POSSIBLE ISSUE OF THE COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS

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

(E) WARNING OF THE RISK OF DEALING IN THE SHARES

The Cosmopolitan Consolidated Shares are expected to be dealt in on an ex-entitlement basis commencing from Wednesday, 16 July 2014 based on the expected timetable.

The Cosmopolitan Open Offer is conditional upon, inter alia, the fulfilment or waiver of the conditions set out under the paragraph headed “Conditions of the Cosmopolitan Open Offer” in Appendix I to this circular. The Cosmopolitan Open Offer may or may not proceed.

Any dealing in the Cosmopolitan Shares and the Cosmopolitan Consolidated Shares from the Latest Practicable Date up to the date on which all the conditions of the Cosmopolitan Open Offer are fulfilled or waived will accordingly bear the risk that the Cosmopolitan Open Offer may not become unconditional or the Cosmopolitan Open Offer may not proceed. Any Cosmopolitan Shareholders or other persons contemplating dealings in the Cosmopolitan Shares and the Cosmopolitan Consolidated Shares are recommended to consult their own professional advisers.

(F) REASONS FOR AND BENEFITS OF THE COSMOPOLITAN SHARE CONSOLIDATION, THE COSMOPOLITAN OPEN OFFER, THE ISSUE OF THE COSMOPOLITAN CONVERTIBLE BONDS AND THE POSSIBLE ISSUE OF THE COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS AND USE OF PROCEEDS

The Cosmopolitan Group is principally engaged in property investment and development in the PRC, securities investment and other investments. The Cosmopolitan Group is presently undertaking three major property development projects in the PRC, namely the Chengdu Project, the Tianjin Project and the Xinjiang Project, and is also working on the Tongzhou Project and the Wuxi Project (as defined below).

The Chengdu Project

Located in Chengdu City, Sichuan Province, the PRC, this property development project is 100% owned by Cosmopolitan through its wholly-owned subsidiaries (the “**Chengdu Project**”) which involves a mixed use development project consisting of hotel, commercial, office, service

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

The Tianjin Project

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

The Xinjiang Project

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

The Tongzhou Project

Cosmopolitan, through its wholly-owned subsidiary incorporated in Beijing, the PRC (the “**BJ WFOE**”), has entered into an agreement to subscribe for 82.5% equity interest in a company which is involved in a primary development project located in Tongzhou District, Beijing, the PRC (the “**Tongzhou Project**”). The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. The total site area planned to be developed under the project is approximately 181,000 square metres and the planned above-ground construction area is approximately 412,000 square metres. The Cosmopolitan Group’s investment in the Tongzhou Project is expected to generate returns on satisfactory terms,

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which will have support from the PRC government. Moreover, the undertaking of the project is also expected to strengthen the Cosmopolitan Group's experience in the management of primary land development projects and foster its relationship with the PRC government authorities in furtherance of its future strategic business development in the PRC. The Cosmopolitan Group has recently applied for increase of approximately RMB200 million in the registered capital of the BJ WFOE with a view to strengthening and capitalising the BJ WFOE for potential investment in other property development and investment projects in the PRC. In the meantime, the BJ WFOE is negotiating a supplemental agreement with the contracting party to further agree on the timing and conditions for the BJ WFOE to complete the aforesaid subscription of equity interest.

The Wuxi Project

With a view to expanding the Cosmopolitan Group's property portfolio and business coverage in the PRC, the Cosmopolitan Group entered into on 31 October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for a parcel of land of about 937 mu (equivalent to approximately 624,270 square metres) located in Huishan District, Wuxi City, Jiangsu Province, the PRC (the "**Wuxi Project**"). The Co-operation Agreement for the Wuxi Project is subject to certain terms to be agreed by the parties within six months of the date of the agreement. As at the Latest Practicable Date, the Cosmopolitan Group has not reached agreement in respect of certain terms with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission. The Cosmopolitan Group intends to seek extension of such period to finalise and agree on such terms pursuant to the Co-operation Agreement.

Following a series of strategic acquisitions to enhance its asset base, profitability and growth prospects, the Cosmopolitan Directors consider that the Cosmopolitan Share Consolidation will consolidate value of the Cosmopolitan Shares and Cosmopolitan Share price to a level that would more reasonably reflect the increased scale of the business. The adjusted Cosmopolitan Share price upon the Cosmopolitan Share Consolidation becoming effective would also be more comparable with companies of similar size and market capitalisation, which in turn may attract more potential investors and expand the shareholder base of Cosmopolitan. Accordingly, the Cosmopolitan Directors are of the view that the Cosmopolitan Share Consolidation is in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole. Save for the necessary professional expenses and printing charges for the implementation of the Cosmopolitan Share Consolidation, the implementation of the Cosmopolitan Share Consolidation will not materially alter the underlying assets, business operation, management or financial position of Cosmopolitan and the interests and rights of the Cosmopolitan Shareholders.

The total gross proceeds of the issue of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares from the Cosmopolitan Open Offer will be approximately HK\$439.8 million. After taking into account the total estimated expenses of approximately HK\$3.5 million, the net proceeds of the issue of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares from the Cosmopolitan Open Offer (after deducting expenses) are estimated to be approximately HK\$436.3 million (representing a net price of approximately HK\$0.099 per Cosmopolitan Open Offer Share and/or per Cosmopolitan Convertible Preference Share). The net proceeds of the issue of the Cosmopolitan Open Offer Shares and/or the

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Cosmopolitan Convertible Preference Shares from the Cosmopolitan Open Offer are intended to be applied in the following manners, as and when the net proceeds are available: (i) as to approximately HK\$80 million for applying toward the increase of the registered capital for the wholly-owned subsidiary of Cosmopolitan involved in the Xinjiang Project; (ii) as to approximately HK\$250 million for applying toward the increase of the registered capital of the BJ WFOE; and (iii) as to the remainder of the net proceeds for general working capital.

The gross proceeds of the issue of the Cosmopolitan Convertible Bonds will be HK\$500 million, which are intended to be applied by the Cosmopolitan Group towards (i) repayment in full of HK\$200 million outstanding facility to the Paliburg Group; and (ii) partial settlement of HK\$300 million consideration payable to the P&R Group.

The gross proceeds of the possible issue of the Cosmopolitan Optional Convertible Bonds will be up to HK\$500 million, which are presently intended to be applied by the Cosmopolitan Group for general working capital.

The Cosmopolitan Directors have considered alternative means for the Cosmopolitan Group to raise funds other than the Cosmopolitan Open Offer, including but not limited to, debt financing, placing of new shares and rights issue. However, taking into consideration that (i) debt financing or bank loan would result in additional interest burden to the Cosmopolitan Group; (ii) placing of new shares would only be available to certain placees who were not necessarily the existing Cosmopolitan Shareholders and would dilute their shareholdings in Cosmopolitan; and (iii) although rights issue was similar to the Cosmopolitan Open Offer except that it enabled the Cosmopolitan Shareholders to trade in nil-paid rights, trading arrangement needed to be set up with the share registrar at the expense of Cosmopolitan and extra administrative work from Cosmopolitan would be involved, Cosmopolitan is of the view that the Cosmopolitan Open Offer is fair and reasonable and in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole.

The Cosmopolitan Open Offer is on a fully underwritten basis, which removes to a certain degree the completion risk associated with a fund raising exercise. Cosmopolitan has considered the possibility of engaging third party underwriter(s) in respect of the Cosmopolitan Open Offer. Having considered that (i) the size of the fund raising and the extended timetable to accommodate the Cosmopolitan Shareholders' approval for the Cosmopolitan Open Offer would have made it difficult, in the current market conditions, to secure a third party underwriter for the Cosmopolitan Open Offer; and (ii) no underwriting commission will be charged by the Underwriter in respect of the Cosmopolitan Open Offer, the Cosmopolitan Board considers that the entering into of the Underwriting Agreement with the Underwriter is in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole.

The issue of the Cosmopolitan Convertible Bonds effectively refinances (i) the outstanding amount of HK\$200 million due to the Paliburg Group under a standby facility which currently bears an interest of around 7% per annum and is repayable by June 2015; and (ii) the partial consideration payable to the P&R Group in the amount of HK\$300 million which bears an interest of 5% per annum and is repayable by September 2016, with lower interest of 2.5% per annum and longer maturity (i.e.

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three years from the date of issue). The issue of the Cosmopolitan Convertible Bonds is expected to lower the interest expenses of the Cosmopolitan Group and refinance the existing indebtedness of the Cosmopolitan Group with an extended maturity profile, yet without resulting in an immediate dilution effect on the shareholding of the existing Cosmopolitan Shareholders.

The issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds were both provided under the Cosmopolitan Convertible Bonds Subscription Agreement, and that the granting of the option for the possible issue of the Cosmopolitan Optional Convertible Bonds had been determined after taking into consideration the aforesaid merits of the issue of the Cosmopolitan Convertible Bonds. Similar to the Cosmopolitan Convertible Bonds, the Cosmopolitan Optional Convertible Bonds, when issued, will provide funding for the Cosmopolitan Group with lower interest of 3.5% per annum and with an extended maturity profile as compared to the existing indebtedness of the Cosmopolitan Group. Furthermore, the issue of the Cosmopolitan Optional Convertible Bonds will not result in an immediate dilution effect on the shareholding of the existing Cosmopolitan Shareholders. In addition, the Cosmopolitan Board is of the view that the granting of the option for the possible issue of the Cosmopolitan Optional Convertible Bonds provides the P&R Group, being the controlling shareholder of Cosmopolitan with a close understanding of the Cosmopolitan Group's property projects and the respective financing needs, with flexibility in funding the Cosmopolitan Group as and when considered appropriate since the Chengdu Project and the Tianjin Project are estimated to span over a development period up to around 2017 with other new projects underway.

The Cosmopolitan Board considers that the financial position of the Cosmopolitan Group will be improved with the support of the funding to be raised under the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds. The Cosmopolitan Directors (including the independent non-executive Cosmopolitan Directors whose view is set out in the letter from the Cosmopolitan Independent Board Committee in this circular) consider that the Cosmopolitan Open Offer is in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole. The Cosmopolitan Open Offer provides an equitable means for the Cosmopolitan Shareholders to participate in the future development of Cosmopolitan and an opportunity to the Cosmopolitan Shareholders to maintain their respective pro-rata shareholding interests in Cosmopolitan. They also consider that the issue of the Cosmopolitan Convertible Bonds and the granting of an option to P&R Group in respect of the possible issue of the Cosmopolitan Optional Convertible Bonds are in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole.

The P&R Group is principally engaged in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities including the acquisition or making of any investments (directly or indirectly) in the securities of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financing activities where the underlying assets or security comprise real estate properties.

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(G) FINANCIAL EFFECTS OF THE COSMOPOLITAN OPEN OFFER, THE ISSUE OF THE COSMOPOLITAN CONVERTIBLE BONDS AND THE POSSIBLE ISSUE OF THE COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS

The Cosmopolitan Open Offer

(i) *Net tangible assets*

With reference to the unaudited pro forma financial information of the Cosmopolitan Group as set out in the Appendix V to this circular, the audited consolidated net tangible assets attributable to the Cosmopolitan Shareholders as at 31 December 2013 was approximately HK\$1,379,018,000. After taking into account the net proceeds from the Cosmopolitan Open Offer of approximately HK\$436.3 million, the unaudited pro forma adjusted consolidated net tangible assets attributable to the Cosmopolitan Shareholders as at 31 December 2013 would increase to approximately HK\$1,815,278,000.

Based on the assumptions set out in the unaudited pro forma financial information of the Cosmopolitan Group as set out in the Appendix V to this circular, upon closing of the Cosmopolitan Open Offer, the total number of Cosmopolitan Consolidated Shares shall be increased to 6,596,414,283, the unaudited pro forma adjusted consolidated net tangible assets attributable to the Cosmopolitan Shareholders per Cosmopolitan Consolidated Share would decrease from approximately HK\$0.63 (based on 2,198,804,761 Cosmopolitan Consolidated Shares in issue as at 31 December 2013 (assuming Cosmopolitan Share Consolidation became effective on 31 December 2013)) to approximately HK\$0.28.

(ii) *Liquidity*

The cash and bank balances together with the time deposits of the Cosmopolitan Group as at 31 December 2013 were approximately HK\$399.57 million, of which approximately RMB297 million (equivalent to approximately HK\$370 million) has been earmarked for the Tongzhou Project, as disclosed in the announcement of the Cosmopolitan published on 26 February 2014. Upon closing of the Cosmopolitan Open Offer, Cosmopolitan would raise net proceeds of approximately HK\$436.3 million. The cash and bank balances and net current assets of the Cosmopolitan Group are expected to increase.

(iii) *Leverage*

As at 31 December 2013, excluding the considerations payable to the vendors for acquisition of the property projects, the Cosmopolitan Group had cash and bank balances and time deposits (including pledged time deposits and bank balances), net of bank borrowings, of approximately HK\$389.1 million. The net gearing ratio of the Cosmopolitan Group as at 31 December 2013 was approximately 58.1% (calculated based on the total borrowings (including the considerations payable to the vendors for acquisition of the property projects) net of cash and bank balances and time deposits over total assets according to the annual report of Cosmopolitan for the nine months ended 31 December 2013). Upon closing of the Cosmopolitan Open Offer, the capital base of the Cosmopolitan Group would be enlarged whilst the borrowings of the Cosmopolitan Group are not expected to change immediately after closing. As such, the leverage of the Cosmopolitan Group is expected to improve upon closing of the Cosmopolitan Open Offer.

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The issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds

On issuance of the Cosmopolitan Convertible Bonds and, if applicable, the Cosmopolitan Optional Convertible Bonds, the fair values of the liability components are determined using a market rate for equivalent non-convertible bonds, and these amount are carried as long term liabilities on the amortised cost basis until extinguished on conversion or redemption. The remainders of the proceeds are allocated to the conversion options embedded in the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds and are recognised and included in shareholders' equity. The carrying amount of these conversion options will not be remeasured in subsequent years.

The option to subscribe for the Cosmopolitan Optional Convertible Bonds will be recognised as a derivative financial liability and measured at fair value upon granting of such option. This derivative financial liability is remeasured at each subsequent reporting date with changes in fair value recognised in consolidated statement of profit or loss. As at 31 May 2014, being the latest practicable date for illustrative purpose, the fair value of the option to subscribe for the Cosmopolitan Optional Convertible Bonds amounted to approximately HK\$64.1 million. The fair value of the aforesaid option was determined by a valuer independent of Cosmopolitan after taking into account the terms of the option and the Cosmopolitan Optional Convertible Bonds and the available parameters as of 31 May 2014, including (i) the price per Cosmopolitan Share; (ii) the historical volatility of the Cosmopolitan Shares; (iii) the yield of Hong Kong Exchange Fund Note as the risk-free rate; (iv) dividend yield of Cosmopolitan; and (v) the credit rating of Cosmopolitan. The Cosmopolitan Shareholders should be aware that the actual fair value of the option will be determined based on the available parameters as of the date of granting of the option.

(H) FINANCIAL AND TRADING PROSPECT OF THE COSMOPOLITAN GROUP

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

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

Both the Chengdu Project and the Tianjin Project are currently free of any external borrowings and it is anticipated that substantial proceeds will be generated from the presale and/or sale of their component parts over the period of the next two years, a majority portion of which may be utilised to pay off the outstanding considerations payable for the acquisition of the two projects. Nevertheless, given the planned continuing expansion of its asset portfolio, the Cosmopolitan Group will review possible avenues to further expand its capital base at appropriate times.

LETTER FROM THE COSMOPOLITAN BOARD

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

(I) PREVIOUS FUND RAISING EXERCISES OF COSMOPOLITAN

In July 2013, the Cosmopolitan Group issued the zero coupon guaranteed convertible bonds maturing in September 2013 in the principal amount of HK\$100 million to each of the Paliburg Group and the Regal Group. Such convertible bonds were fully converted into Cosmopolitan Shares in September 2013. The proceeds from the issue of the convertible bonds had been applied as general working capital by the Cosmopolitan Group.

No fund raising exercise was conducted by Cosmopolitan by way of issue of equity securities in the past 12 months immediately preceding the announcement of Cosmopolitan on 30 April 2014 in relation to, among others, the Cosmopolitan Open Offer.

(J) CLOSURE OF REGISTER OF MEMBERS OF COSMOPOLITAN

It is expected that the register of members of Cosmopolitan will be closed from Friday, 18 July 2014 to Monday, 21 July 2014 (both dates inclusive) to determine the Cosmopolitan Open Offer Entitlements.

(K) LISTING RULES IMPLICATIONS

The Cosmopolitan Share Consolidation is subject to the Cosmopolitan Shareholders' approval at the Cosmopolitan EGM and no Cosmopolitan Shareholders are required to abstain from voting on the resolution in relation to the Cosmopolitan Share Consolidation. Since the Cosmopolitan Open Offer will increase the issued share capital of Cosmopolitan by more than 50% within the twelve-month period immediately preceding the announcement of the Cosmopolitan Open Offer dated 30 April 2014, the Cosmopolitan Open Offer is conditional on the approval by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM by an ordinary resolution on which the controlling Cosmopolitan Shareholder and its associates, being subsidiaries of P&R, which held in aggregate 14,845,167,190 Cosmopolitan Shares, representing approximately 67.5% issued share capital of Cosmopolitan as at the Latest Practicable Date, are required to abstain from voting on the resolution in relation to the Cosmopolitan Open Offer. The issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds to the P&R Group constitute connected transactions for Cosmopolitan and therefore are subject to the reporting, announcement and independent shareholder's approval requirements under Chapter 14A of the Listing Rules. P&R and its associates are required to abstain from voting on the relevant resolution in relation to the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds.

LETTER FROM THE COSMOPOLITAN BOARD

The Cosmopolitan Independent Board Committee comprising Ms. Judy Chen Qing, Mr. Lee Choy Sang and Mr. David Li Ka Fai, all being independent non-executive Cosmopolitan Directors, has been established to advise the Cosmopolitan Independent Shareholders in respect of (i) the proposed Cosmopolitan Open Offer; and (ii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds. As Ms. Alice KAN Lai Kuen and Hon. Abraham SHEK Lai Him, GBS, JP, both independent non-executive Cosmopolitan Directors, are an independent non-executive director of Regal and Paliburg respectively, they are excluded from the Cosmopolitan Independent Board Committee. Goldin has been appointed to advise the Cosmopolitan Independent Board Committee and the Cosmopolitan Independent Shareholders in the same respect.

(L) COSMOPOLITAN EGM

A notice convening the Cosmopolitan EGM to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 14 July 2014 at 11:15 a.m. at which resolutions will be proposed to consider and, if thought fit, approve (i) the proposed Cosmopolitan Share Consolidation; (ii) the proposed Cosmopolitan Open Offer; and (iii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, are set out on pages EGM-1 to EGM-10 of this circular.

Your attention is drawn to the letter from the Cosmopolitan Independent Board Committee set out on pages 27 to 28 of this circular containing its recommendation to the Cosmopolitan Independent Shareholders in relation to (i) the proposed Cosmopolitan Open Offer; and (ii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, and the letter of advice from Goldin set out on pages 29 to 64 of this circular containing its advice to the Cosmopolitan Independent Board Committee and the Cosmopolitan Independent Shareholders in the same respect. The Cosmopolitan Independent Board Committee, having taken into account the advice of Goldin, considers that the terms of (i) the proposed Cosmopolitan Open Offer; and (ii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, are on normal commercial terms and fair and reasonable so far as the Cosmopolitan Shareholders are concerned and are in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole. Accordingly, the Cosmopolitan Independent Board Committee recommends the Cosmopolitan Independent Shareholders to vote in favour of the ordinary resolutions relating to (i) the proposed Cosmopolitan Open Offer; and (ii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, at the Cosmopolitan EGM.

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

LETTER FROM THE COSMOPOLITAN BOARD

Cosmopolitan will send the Cosmopolitan Open Offer Documents to the Cosmopolitan Qualifying Shareholders and the Cosmopolitan Prospectus, for information only, to the Excluded Cosmopolitan Shareholders as soon as practicable if the relevant resolutions are passed at the Cosmopolitan EGM, and in accordance with the requirements of the Listing Rules, on or before Thursday, 24 July 2014.

(M) FURTHER INFORMATION

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

Yours faithfully,

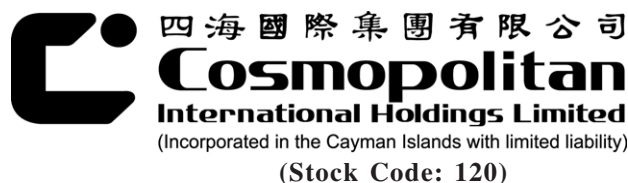
For and on behalf of the board of
COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Lo Yuk Sui

Chairman

LETTER FROM THE COSMOPOLITAN INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Cosmopolitan Independent Board Committee setting out its recommendation to the Cosmopolitan Independent Shareholders in relation to (i) the proposed Cosmopolitan Open Offer; and (ii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, prepared for the purpose of incorporation in this circular.



20 June 2014

To the Cosmopolitan Independent Shareholders

Dear Sir or Madam,

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

AND

(II) PROPOSED ISSUE OF COSMOPOLITAN CONVERTIBLE BONDS AND POSSIBLE ISSUE OF COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS

INTRODUCTION

We refer to the circular of Cosmopolitan International Holdings Limited dated 20 June 2014 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Cosmopolitan Board to advise you on the terms of (i) the proposed Cosmopolitan Open Offer; and (ii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds. Goldin has been appointed as the independent financial adviser to advise you and us in the same regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 29 to 64 of the Circular. Your attention is also drawn to the letter from the Cosmopolitan Board in the Circular and the additional information set out in the appendices thereto.

LETTER FROM THE COSMOPOLITAN INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of (i) the proposed Cosmopolitan Open Offer; and (ii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds and taking into account the independent advice of Goldin and the relevant information contained in the letter from the Cosmopolitan Board of the Circular, we are of the opinion that the terms of (i) the proposed Cosmopolitan Open Offer; and (ii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue the Cosmopolitan Optional Convertible Bonds, are on normal commercial terms and fair and reasonable so far as the Cosmopolitan Independent Shareholders are concerned and are in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the ordinary resolutions to be proposed at the Cosmopolitan EGM to approve (i) the proposed Cosmopolitan Open Offer; and (ii) the proposed issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds.

Yours faithfully,
For and on behalf of

Cosmopolitan Independent Board Committee

Ms. Judy CHEN Qing

Mr. LEE Choy Sang

Mr. David LI Ka Fai

LETTER FROM GOLDIN

The following is the full text of the letter from Goldin setting out the advice to the Cosmopolitan Independent Board Committee and the Cosmopolitan Independent Shareholders in respect of the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds which has been prepared for the purpose of inclusion in this circular.



高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
23/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

20 June 2014

*To the Cosmopolitan Independent Board Committee and
the Cosmopolitan Independent Shareholders*

Dear Sirs,

**PROPOSED COSMOPOLITAN OPEN OFFER OF
COSMOPOLITAN OPEN OFFER SHARES AND/OR
COSMOPOLITAN CONVERTIBLE PREFERENCE SHARES
AND
PROPOSED ISSUE OF COSMOPOLITAN CONVERTIBLE BONDS AND
POSSIBLE ISSUE OF COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS**

INTRODUCTION

We refer to our appointment as the Cosmopolitan Independent Financial Adviser to the Cosmopolitan Independent Board Committee and the Cosmopolitan Independent Shareholders in relation to the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, details of which are contained in the letter from the Cosmopolitan Board (the “Letter from the Cosmopolitan Board”) of the circular of Cosmopolitan dated 20 June 2014 (the “Cosmopolitan Circular”) to the Cosmopolitan Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Cosmopolitan Circular unless the context requires otherwise.

The Cosmopolitan Independent Board Committee comprising Ms. Judy Chen Qing, Mr. Lee Choy Sang and Mr. David Li Ka Fai, who are the independent non-executive Cosmopolitan Directors, has been established to make recommendations to the Cosmopolitan Independent Shareholders as to whether the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds are on normal commercial terms and are fair and reasonable and whether the Cosmopolitan Open Offer, the issue of the Cosmopolitan

LETTER FROM GOLDIN

Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds are in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole and to advise the Cosmopolitan Independent Shareholders on how to vote, taking into account the recommendations of the Cosmopolitan Independent Financial Adviser.

We, Goldin Financial Limited, have been appointed by Cosmopolitan as the independent financial adviser to advise the Cosmopolitan Independent Board Committee and the Cosmopolitan Independent Shareholders in relation to the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, and to make recommendations as to, among others, whether the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds are on normal commercial terms and are fair and reasonable and in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole and as to voting in respect of the relevant resolution at the Cosmopolitan EGM.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the joint announcement of Cosmopolitan, Century City, Paliburg and Regal dated 30 April 2014 (the “Announcement”), the Underwriting Agreement (as supplemented by a supplemental agreement dated 19 June 2014), the Cosmopolitan Convertible Bonds Subscription Agreement (as supplemented by a supplemental agreement dated 19 June 2014) and the annual report of Cosmopolitan for the nine months ended 31 December 2013. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of Cosmopolitan regarding the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, the businesses and future outlook of the Cosmopolitan Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon in formulating our opinion, are true, accurate and complete in all material respects up to the date of this letter and the Cosmopolitan Shareholders will be notified of any material changes in respect of the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds as soon as possible.

The Cosmopolitan 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 Cosmopolitan, and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief the information contained in the Cosmopolitan 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 contained in the Cosmopolitan Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds to justify reliance on the accuracy of the information contained in the Cosmopolitan Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Cosmopolitan Directors or management of Cosmopolitan, or any material

LETTER FROM GOLDIN

information given to us is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Cosmopolitan Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

This letter is issued for information purpose for the Cosmopolitan Independent Board Committee and the Cosmopolitan Independent Shareholders solely in connection with their consideration of the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, and this letter, except for its inclusion in the Cosmopolitan Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation on the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds to the Cosmopolitan Independent Board Committee and the Cosmopolitan Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background information of the Cosmopolitan Group

The Cosmopolitan Group is principally engaged in property investment and development in the PRC, securities investment and other investments. The Cosmopolitan Group is presently undertaking three major property development projects in Chengdu, Tianjin and Xinjiang in the PRC, details of which, together with that of the new projects in Tongzhou and Wuxi in the PRC, are set out below.

Overview of the Cosmopolitan Group's property development and investment projects

The Chengdu Project

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

LETTER FROM GOLDIN

The Tianjin Project

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

The Xinjiang Project

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

The Tongzhou Project

Cosmopolitan, through its wholly-owned subsidiary incorporated in Beijing, the PRC (the “BJ WFOE”), has entered into an agreement to subscribe for 82.5% equity interest in a company which is involved in a primary development project located in Tongzhou District, Beijing, the PRC (the “Tongzhou Project”). As stated in the Letter from the Cosmopolitan Board, the BJ WFOE is negotiating a supplemental agreement with the contracting party to further agree on the timing and conditions for the BJ WFOE to complete the aforesaid subscription under the Tongzhou Project. The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. The total site area planned to be developed under the project is approximately 181,000 square metres and the planned above-ground construction area is approximately 412,000 square metres. The Cosmopolitan Group’s investment in the Tongzhou Project is expected to generate returns on satisfactory terms, which will have support from the PRC government. Moreover, the undertaking of the project is also expected to strengthen the Cosmopolitan Group’s experience in the management of primary land development projects and foster its relationship with the PRC government authorities in furtherance of its future strategic business development in the PRC.

LETTER FROM GOLDIN

The Wuxi Project

With a view to expanding the Cosmopolitan Group's property portfolio and business coverage in the PRC, the Cosmopolitan Group entered into on 31 October 2013 a Co-operation Agreement for Business and Investment Encouragement (the "Co-operation Agreement") with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for a parcel of land of about 937 mu (equivalent to approximately 624,270 square metres) located in Huishan District, Wuxi City, Jiangsu Province, the PRC. (the "Wuxi Project"). The Co-operation Agreement for the Wuxi Project is subject to certain terms to be agreed by the parties within six months of the date of the agreement. As at the Latest Practicable Date, the Cosmopolitan Group has not reached agreement in respect of certain terms with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission. The Cosmopolitan Group intends to seek extension of such period to finalise and agree on such terms pursuant to the Co-operation Agreement.

Financial information of the Cosmopolitan Group

Set out below are the audited financial information of the Cosmopolitan Group for each of the two years ended 31 March 2013 and for the nine months ended 31 December 2013 as extracted from the annual report of Cosmopolitan for the nine months ended 31 December 2013:

Table 1: Financial highlights of the Cosmopolitan Group

	For the nine months ended 31 December 2013	For the year ended 31 March 2013	2012
<i>HK\$'000</i>		<i>(Restated)</i>	<i>(Restated)</i>
Revenue	12,487	24,091	9,908
Profit/(loss) for the period/year	(88,211)	52,771	837,901
		As at 31 December 2013	As at 31 March 2013
<i>HK\$'000</i>			<i>(Restated)</i>
Non-current assets		2,174,203	691,342
Current assets		2,776,131	386,025
(Non-current liabilities)		(3,591,947)	—
(Current liabilities)		(113,569)	(462,311)
Net current assets / (liabilities)		2,662,562	(76,286)
Total equity		1,244,818	615,056

For the year ended 31 March 2013, profit after tax of the Cosmopolitan Group decreased to approximately HK\$52.77 million from approximately HK\$837.90 million for the prior year, which was mainly due to a reduction in share of profit of a joint venture to approximately HK\$23.64 million for the year ended 31 March 2013 from approximately HK\$527.68 million for the year ended 31 March 2012.

LETTER FROM GOLDIN

For the nine months ended 31 December 2013, the loss after tax of the Cosmopolitan Group amounted to approximately HK\$88.21 million, in contrast to the profit after tax of approximately HK\$52.77 million for the year ended 31 March 2013. We noted that such difference was mainly due to a fair value loss on derivative financial instruments of approximately HK\$3.80 million for the nine months ended 31 December 2013 against a fair value gain on derivative financial instruments of approximately HK\$107.81 million for the year ended 31 March 2013.

It is noted that the financial position of the Cosmopolitan Group as at 31 December 2013 changed significantly as compared with that as at 31 March 2013. Based on the annual report of Cosmopolitan for the nine months ended 31 December 2013, the non-current assets and current assets of the Cosmopolitan Group as at 31 December 2013 increased to approximately HK\$2,174.20 million and approximately HK\$2,776.13 million respectively, up from approximately HK\$691.34 million and approximately HK\$386.03 million as at 31 March 2013 respectively, while the current liabilities decreased to approximately HK\$113.57 million from approximately HK\$462.31 million. The surge in current assets, which was mainly attributable to the properties under development of approximately HK\$2,204.29 million, coupled with the decreased current liabilities, resulted in the net current assets of the Cosmopolitan Group of approximately HK\$2,662.56 million as at 31 December 2013 as opposed to the net current liabilities of approximately HK\$76.29 million as at 31 March 2013, with current ratio (defined as current assets over current liabilities) surging to approximately 24.44 times, up from the corresponding figure of approximately 0.84 times.

On the other hand, the Cosmopolitan Group recorded non-current liabilities of approximately HK\$3,591.95 million as opposed to nil as at 31 March 2013. The resulting net gearing ratio (defined as total borrowings (including the considerations payable to the vendors for acquisition of the property projects) net of cash and bank balances and time deposits over total assets) increased considerably to approximately 58.10% as at 31 December 2013, up from the corresponding figure of approximately 19.22% as at 31 March 2013. We are given to understand that such changes in the financial position of the Cosmopolitan Group mainly arise as a result of the acquisition of the Chengdu Project and the Tianjin Project by the Cosmopolitan Group (the “Acquisitions”), details of which are contained in the circular of Cosmopolitan dated 28 August 2013.

2. Reasons for and use of proceeds of the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds

Cosmopolitan proposes to make the Cosmopolitan Open Offer, pursuant to which the Cosmopolitan Qualifying Shareholders will have assured entitlements to apply for two Cosmopolitan Open Offer Shares (with alternative for Cosmopolitan Qualifying Shareholders to elect to receive Cosmopolitan Convertible Preference Shares in lieu of all or part of his/her/its entitlements to Cosmopolitan Open Offer Shares on a “one-for-one” basis) for every one Cosmopolitan Consolidated Share held on the Cosmopolitan Record Date.

On 30 April 2014, Cosmopolitan also entered into the Cosmopolitan Convertible Bonds Subscription Agreement with P&R, pursuant to which P&R will procure its wholly-owned subsidiary to subscribe for the Cosmopolitan Convertible Bonds in the principal amount of HK\$500 million. Under the Cosmopolitan Convertible Bonds Subscription Agreement, P&R will also be entitled to an

LETTER FROM GOLDIN

option (the “Cosmopolitan Option”), through its wholly-owned subsidiary, to subscribe for the Cosmopolitan Optional Convertible Bonds in the principal amount of up to HK\$500 million. The Cosmopolitan Option is exercisable at any time during the period from a date falling 7 days after the date of issue of the Cosmopolitan Convertible Bonds until 90 days prior to the maturity date of the Cosmopolitan Convertible Bonds (both dates inclusive). The Cosmopolitan Option is exercisable in whole or in part, on one or more occasions, solely at the discretion of the P&R Group by giving a written notice given to the issuer of the Cosmopolitan Optional Convertible Bonds.

The total gross proceeds of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares from the Cosmopolitan Open Offer will be approximately HK\$439.8 million. The net proceeds of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares from the Cosmopolitan Open Offer after deducting expenses are estimated to be approximately HK\$436.3 million (representing a net price of HK\$0.099 per Cosmopolitan Open Offer Share and/or the Cosmopolitan Convertible Preference Share). The net proceeds of the Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares from the Cosmopolitan Open Offer are intended to be applied in the following manners, as and when the net proceeds are available: (i) as to approximately HK\$80 million for applying toward the increase of the registered capital for the wholly-owned subsidiary of Cosmopolitan involved in the Xinjiang Project; (ii) as to approximately HK\$250 million for applying toward the increase of the registered capital of the BJ WFOE; and (iii) as to the remainder of the net proceeds for general working capital.

The gross proceeds of the issue of the Cosmopolitan Convertible Bonds will be HK\$500 million, which are presently intended to be applied by the Cosmopolitan Group towards (i) repayment in full of HK\$200 million outstanding facility to the Paliburg Group; and (ii) partial settlement of HK\$300 million consideration payable to the P&R Group.

The gross proceeds of the possible issue of the Cosmopolitan Optional Convertible Bonds will be up to HK\$500 million, which are intended to be applied by the Cosmopolitan Group for general working capital.

Business Overview of the Cosmopolitan Group and the Cosmopolitan Open Offer, the proposed issue of Cosmopolitan Convertible Bonds and the possible issue of Cosmopolitan Optional Convertible Bonds

As stated in the Letter from the Cosmopolitan Board, the Cosmopolitan Board believes that the financial position of the Cosmopolitan Group will be improved with the support of the funding to be raised under the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds. As illustrated in the section headed “Financial information of the Cosmopolitan Group” above, as a result of the Acquisitions, the financial position of the Group as at 31 December 2013 has changed considerably from that as at 31 March 2013, with improvement in net current assets as well as net assets alongside the increased gearing of the Cosmopolitan Group’s capital structure as reflected by the rising net gearing ratio. On

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the other hand, as at 31 December 2013, the cash and bank balances together with the time deposits of the Cosmopolitan Group stood at approximately HK\$399.57 million, of which approximately RMB297 million (equivalent to approximately HK\$370 million) has been earmarked for the Tongzhou Project, as disclosed in the announcement of the Cosmopolitan published on 26 February 2014.

We noted that following completion of the Acquisitions, as well as the disposal of the Rainbow Lodge property units, the Cosmopolitan Group has directed its focus to the PRC property market and established its foothold with a portfolio of sizeable property development projects across the PRC. On 31 October 2013, the Cosmopolitan Group entered into a Co-operation Agreement for Business and Investment Encouragement in respect of the Wuxi Project. As further announced on 26 February 2014, the Cosmopolitan Group entered into an agreement to subscribe for 82.5% interest in a company which is involved in the Tongzhou Project, with total funding commitment of RMB297 million. Further details of the projects are set out in the section headed “Overview of the Cosmopolitan Group’s property development and investment projects” above.

With respect to the Tongzhou Project and the Xinjiang Project, it is noted that over 57% and over 18% of the net proceeds from the Cosmopolitan Open Offer are intended to be applied to increase the registered capital of the BJ WFOE and the wholly-owned subsidiary of Cosmopolitan under the Xinjiang Project respectively. As advised by the management of Cosmopolitan, the intended use of the net proceeds from the Cosmopolitan Open Offer for the registered capital-increase of the BJ WFOE aims to inject capital in the BJ WFOE for potential investment in other property development and investment projects in the PRC. Such application for registered capital-increase has been submitted to the relevant government authorities. Also, as mentioned in the section headed “Overview of the Cosmopolitan Group’s property development and investment projects” above, application for increase of US\$10 million (equivalent to approximately HK\$80 million) in the registered capital of the wholly-owned subsidiary engaged in the Xinjiang Project has been approved by the relevant government authorities.

On the other hand, with respect to the Chengdu Project and the Tianjin Project, the projects are to be developed in phases which are estimated to span over a development period up to around 2017. Based on the figures contained in the circular of Cosmopolitan dated 28 August 2013 in relation to, among others, the Acquisitions, it was estimated that (i) further development costs of the Chengdu Project would amount to about RMB1.90 billion (equivalent to approximately HK\$2.39 billion); and (ii) development costs of the Tianjin Project would amount to about RMB1.1 billion (equivalent to approximately HK\$1.39 billion), which add up to over HK\$3.7 billion.

Accordingly, the Cosmopolitan Group is now running a portfolio of sizeable property development and investment projects that require considerable development costs with certain current capital contributions to be made. Coupled with the increased gearing of the Cosmopolitan Group as well as the volatile capital market overshadowed by the anticipation of rising borrowing costs both globally due to the US Federal Reserve’s tapering and locally due to the curbed banking liquidity in the PRC, we consider that it is prudent and appropriate for the Cosmopolitan Group to improve its financial position through the Cosmopolitan Open Offer so as to safeguard the timely financing of its projects while maintaining the financial flexibility of the Cosmopolitan Group.

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On top of the Cosmopolitan Open Offer which will raise HK\$439.8 million of gross proceeds with the participation of Cosmopolitan Qualifying Shareholders, the proposed issue of the Cosmopolitan Convertible Bonds pursuant to the Cosmopolitan Convertible Bonds Subscription Agreement will raise another HK\$500 million of gross proceeds which is to repay in full HK\$200 million outstanding facility to the Paliburg Group and partially settle HK\$300 million consideration payable to the P&R Group. We noted that the issue of the Cosmopolitan Convertible Bonds effectively refinances (i) the outstanding amount of HK\$200 million due to Paliburg Group under a standby facility which bears an interest of at least 7% per annum and is repayable within two years from the date of the standby facility (i.e. 26 June 2013); and (ii) the partial consideration payable to the P&R Group in the amount of HK\$300 million which bears an interest of 5% per annum and is repayable within three years after completion of the Acquisitions (i.e. 13 September 2013), with the Cosmopolitan Convertible Bonds which bear a relatively lower interest of 2.5% per annum as well as longer maturity of three years from the date of issue. As such, the issue of the Cosmopolitan Convertible Bonds could lower the interest burden of the Cosmopolitan Group and extend the repayment date of the outstanding amount of HK\$500 million, yet without resulting in an immediate dilution effect on the shareholding of the existing Cosmopolitan Shareholders.

The possible issue of the Cosmopolitan Optional Convertible Bonds, on the other hand, allows the P&R Group, at its discretion, to subscribe for additional convertible bonds, raising a further HK\$500 million, at any time during the period from a date falling 7 days after the date of issue of the Cosmopolitan Convertible Bonds until 90 days prior to the maturity date of the Cosmopolitan Convertible Bonds (both dates inclusive). The Cosmopolitan Optional Convertible Bonds, when issued, will provide funding for the Cosmopolitan Group without resulting in an immediate dilution effect on the shareholding of the existing Cosmopolitan Shareholders. We were given to understand that the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds were both provided under the Cosmopolitan Convertible Bonds Subscription Agreement, and that the grant of the Cosmopolitan Option for the possible issue of the Cosmopolitan Optional Convertible Bonds had been determined after taking into consideration the merits of the issue of the Cosmopolitan Convertible Bonds, which bears a relatively lower interest of 2.5% as well as longer maturity of three years from the date of issue in comparison with those borne by the amount to be repaid by the proceeds from the Cosmopolitan Convertible Bonds. On the other hand, the Cosmopolitan Option could allow the P&R Group, being the controlling shareholder with has close understanding of the Cosmopolitan Group's property projects and the respective financing needs, to infuse financial flexibility to the Cosmopolitan Group as and when appropriate for the funding of its property projects, of which the Chengdu Project and the Tianjin Project are estimated to span over a development period up to around 2017 with other new projects underway as analysed in earlier sections, which is beneficial to the Cosmopolitan Group. Considering (i) the grant of the Cosmopolitan Option for the possible issue of the Cosmopolitan Optional Convertible Bonds had been determined after taking into consideration the merits of the issue of the Cosmopolitan Convertible Bonds as analysed above; and (ii) the Cosmopolitan Option could allow the P&R Group to infuse financial flexibility to the Cosmopolitan Group for the funding of its property projects as and when appropriate, we consider the exercisable period of the Cosmopolitan Option a justifiable setting, and that the granting of the Cosmopolitan Option to P&R is fair and reasonable so far as the Cosmopolitan Independent Shareholders are concerned.

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We have conducted researches from the public domain and analysed on the latest property market condition in the PRC, to where the Cosmopolitan Group now directs its development focus and dedicates its resources. We noted that since January 2010, the PRC property market has been constantly under the effect of various measures and restrictions implemented by the PRC government regulating the domestic property market, with an aim to bring down property prices to a level closer to local income levels. On 1 March 2013, 〈國務院辦公廳關於繼續做好房地產市場調控工作的通知〉 (The State Council's notice on property market regulation*, also commonly known as the "New Five National Policies") was issued setting out five broad yet stringent regulatory policies involving, among others, stabilising housing prices and curbing speculative investments. Notwithstanding the above, as announced by the National Bureau of Statistics of China (the "Statistics Bureau") on 20 January 2014, the total floor space of commodity houses sold in 2013 recorded a notable growth rate of approximately 17.3%, better than that recorded in prior years which according to the Statistics Bureau, growth rate of the total floor space of commodity houses sold was approximately 10.6% in 2010 and dropped to 4.4% in 2011, and further dropped to 1.8% in 2012, demonstrating resilient growth since the issue of tightening measures for the domestic property market in 2010. Nevertheless, the property market has demonstrated sign of slowdown recently, with the total floor space of commodity houses sold in the first five months of 2014 recorded a year-on-year decrease of approximately 7.8% as announced by the Statistics Bureau on 13 June 2014. The above figures illustrate an expanding, yet fluctuating, property market in the PRC. Accordingly, given the concentrated focus of the Group on the PRC property market with multiple sizeable projects underway, we consider that it is prudent for the Cosmopolitan Group to maintain a sound financial position for its venture in the PRC property market.

Accordingly, we are of the view that the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, alongside the Cosmopolitan Open Offer, could allow the Cosmopolitan Group to strengthen the Cosmopolitan Group's financial position so as to safeguard the timely financing of its project while maintaining the financial flexibility of the Cosmopolitan Group.

Other financing alternatives

As advised by the Cosmopolitan Directors, Cosmopolitan has also considered other alternative means of financing, including other forms of equity funding and debt financing. The Cosmopolitan Directors have considered raising capital by way of placing of new Cosmopolitan Shares. However, a share placement, unlike the Cosmopolitan Open Offer which offers an opportunity for the existing Cosmopolitan Shareholders to participate in the enlargement of the capital base of Cosmopolitan, will result in immediate dilution to the shareholding interests of the existing Cosmopolitan Shareholders. As such, we concur with the Cosmopolitan Directors that a share placement is not a desirable alternative to the Cosmopolitan Open Offer.

As discussed with the management of Cosmopolitan, Cosmopolitan considers that bank borrowings and other debt financing might place undue pressure over the already geared-up capital structure of the Cosmopolitan Group as discussed above, and to prudently manage its financial position without inducing undue interest expenses to the Cosmopolitan Group, equity funding by way of Cosmopolitan Open Offer is considered to be an appropriate means to financing the operations of the Cosmopolitan Group.

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In choosing the Cosmopolitan Open Offer over a rights issue with trading of nil-paid rights, we consider that on one hand, the Cosmopolitan Open Offer would offer to all Cosmopolitan Qualifying Shareholders equal opportunity to further participate in investing in Cosmopolitan, while on the other hand, the set up of trading arrangement for the nil-paid rights will incur additional expenses and administrative work which will in turn lower net proceeds to be raised. Coupled with the low liquidity of the Cosmopolitan Shares in general during the Review Period as discussed in the section headed “Historical trading volume of the Cosmopolitan Shares” below which might indicate inactive trading of nil-paid rights, we do not consider a rights issue to be a desirable alternative to the Cosmopolitan Open Offer.

Given that (i) all Cosmopolitan Qualifying Shareholders are offered an equal opportunity to participate in the Cosmopolitan Open Offer to maintain their respective shareholdings in Cosmopolitan and participate in the future growth and development of Cosmopolitan; and (ii) the Cosmopolitan Open Offer is considered more preferable than other financing alternatives as explained above, we consider that the Cosmopolitan Open Offer is an equitable means to raise capital for the Cosmopolitan Group.

With respect to the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, we consider that such issues will not result in immediate dilution effect on the shareholding of the existing Cosmopolitan Shareholders and therefore are equitable means of lowering the interest burden of the Cosmopolitan Group, extending the repayment date of outstanding amount due by the Cosmopolitan Group as well as raising additional funding on top of the Cosmopolitan Open Offer which will strengthen the financial position of the Cosmopolitan Group.

As a whole, having considered (i) the Cosmopolitan Open Offer will strengthen the capital base of the Cosmopolitan Group to support its property development projects; (ii) the Cosmopolitan Open Offer could improve the Cosmopolitan Group’s financial position and provide to it financial flexibility, thereby better preparing it amidst the volatile capital market; (iii) the Cosmopolitan Open Offer is an equitable means to raise capital for the Cosmopolitan Group compared with other alternative means of financing; and (iv) the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds will not result in immediate dilution effect on the shareholding of the existing Cosmopolitan Shareholders and therefore are equitable means of lowering the interest burden of the Cosmopolitan Group, extending the repayment date of outstanding amount due by the Cosmopolitan Group as well as raising additional funding on top of the Cosmopolitan Open Offer which will strengthen the financial position of the Cosmopolitan Group, we are of the view that the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds are in the interest of Cosmopolitan and the Cosmopolitan Shareholders as a whole.

3. Principal terms of the Cosmopolitan Open Offer

(a) *Basis of the Cosmopolitan Open Offer*

Cosmopolitan proposes to raise approximately HK\$439.8 million before expenses by issuing 4,397,609,522 Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares

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at the Cosmopolitan Subscription Price of HK\$0.10 per Cosmopolitan Open Offer Share on the basis of two Cosmopolitan Open Offer Shares with alternative for Cosmopolitan Qualifying Shareholders to elect to receive Cosmopolitan Convertible Preference Shares in lieu of all or part of his/her/its entitlements to Cosmopolitan Open Offer Shares on a “one-for-one” basis under the Cosmopolitan Open Offer for every one Cosmopolitan Consolidated Share held on the Cosmopolitan Record Date and payable in full on acceptance.

(b) *The Cosmopolitan Subscription Price*

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

- (i) a discount of approximately 83.6% to the closing price of HK\$0.610 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 83.7% to the average closing price of the Cosmopolitan Shares of approximately HK\$0.612 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 83.9% to the average closing price of the Cosmopolitan Shares of approximately HK\$0.622 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last ten Trading Days up to and including the Last Trading Day;
- (iv) a discount of approximately 63.0% to the theoretical ex-entitlement price of approximately HK\$0.270 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 82.3% to the unaudited consolidated net assets of Cosmopolitan attributable to the Cosmopolitan Shareholders as at 31 December 2013 of approximately HK\$0.566 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) in issue as at the Latest Practicable Date; and
- (vi) a discount of approximately 68.8% to the closing price of HK\$0.320 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date.

As stated in the Letter from the Cosmopolitan Board, the Cosmopolitan Subscription Price was determined by the Cosmopolitan Board and was agreed and accepted by the Underwriter. Cosmopolitan is of the view that the Cosmopolitan Open Offer will provide the Cosmopolitan Group with additional funding to further strengthen the financial position of the Cosmopolitan Group and the terms of the Cosmopolitan Open Offer are fair and reasonable and in the interests of Cosmopolitan.

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Principal terms of the Cosmopolitan Convertible Preference Shares

- Cosmopolitan Subscription Price: HK\$0.10 per Cosmopolitan Convertible Preference Share
- Par value: HK\$0.002 each
- Conversion period: Any time after issue subject to the minimum conversion requirement set forth below, provided that a holder may not exercise his/her/its conversion right to the extent that it would result in Cosmopolitan failing to comply with the public float requirement under the Listing Rules applicable to Cosmopolitan (i.e. 25%).
- Conversion ratio: Each Cosmopolitan Convertible Preference Share shall be convertible into one Cosmopolitan Converted Share, subject to adjustment upon the occurrence of consolidation or subdivision of the Cosmopolitan Consolidated Shares.
- Minimum conversion requirement: A holder may not exercise his conversion right unless the number of Cosmopolitan Convertible Preference Shares to be converted in connection with such exercise equals or is greater than 10,000, subject to adjustment upon the occurrence of consolidation or subdivision of the Cosmopolitan Consolidated Shares. In case where the number of all the Cosmopolitan Convertible Preference Shares held by a holder is less than 10,000, he may exercise his conversion right in respect of all such Cosmopolitan Convertible Preference Shares.
- Dividends and distributions: Each Cosmopolitan Convertible Preference Share shall confer on the holder thereof the right to receive dividends and other distributions *pari passu* with holders of Cosmopolitan Consolidated Share on the basis of the number of Cosmopolitan Converted Share into which each Cosmopolitan Convertible Preference Share may be converted and on an as-if converted basis.
- Voting: A holder of Cosmopolitan Convertible Preference Shares shall have the right to receive notice of and attend but have no right to vote at a general meeting (except on a resolution for winding-up of Cosmopolitan).
- Listing: The Cosmopolitan Convertible Preference Shares will not be listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the Cosmopolitan Convertible Preference Shares on the Stock Exchange or any other stock exchange.

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Transferability:	The Cosmopolitan Convertible Preference Shares may be transferred without any restriction.
Redemption:	The Cosmopolitan Convertible Preference Shares are non-redeemable by Cosmopolitan or the holders thereof
Takeover:	If any person (the “Offeror”) makes an offer for Cosmopolitan Consolidated Shares and by virtue of acceptances of such offer becomes entitled to acquire compulsorily the Cosmopolitan Consolidated Shares offered for but in respect of which no acceptance of the offer has been received, Cosmopolitan may, at any time after the Offeror gives notice of exercise of such rights of compulsory acquisition, require that all outstanding Cosmopolitan Convertible Preference Shares be converted into Cosmopolitan Converted Shares at the then applicable conversion ratio.
Scheme of arrangement:	Where, pursuant to a scheme of arrangement, a person (together with parties acting in concert with such person) becomes the holder of all of the Cosmopolitan Consolidated Shares then in issue, Cosmopolitan may at any time thereafter require that all outstanding Cosmopolitan Convertible Preference Shares be converted into the Cosmopolitan Converted Shares at the then applicable conversion ratio on the basis that the public float requirements under the Listing Rules be complied with unless otherwise waived by the Stock Exchange.
Rights to participate in rights issue or open offer of Cosmopolitan or bonus issue:	<p>If and whenever Cosmopolitan makes any offers by way of rights, open offer and/or issue by way of bonus of:</p> <ul style="list-style-type: none">— shares of Cosmopolitan,— securities carrying rights to subscribe for, convert or exchange into shares of Cosmopolitan or voting rights,— other shares or rights carrying the right to acquire same voting rights, or— debt securities (the “Offered Securities”) <p>to all the Shareholders, the same rights and/or bonus issues shall be offered and/or issued to holders of Cosmopolitan Convertible Preference Shares at the same time and on the same terms as the Offered Securities are offered and/or issued to the Cosmopolitan Shareholders.</p>

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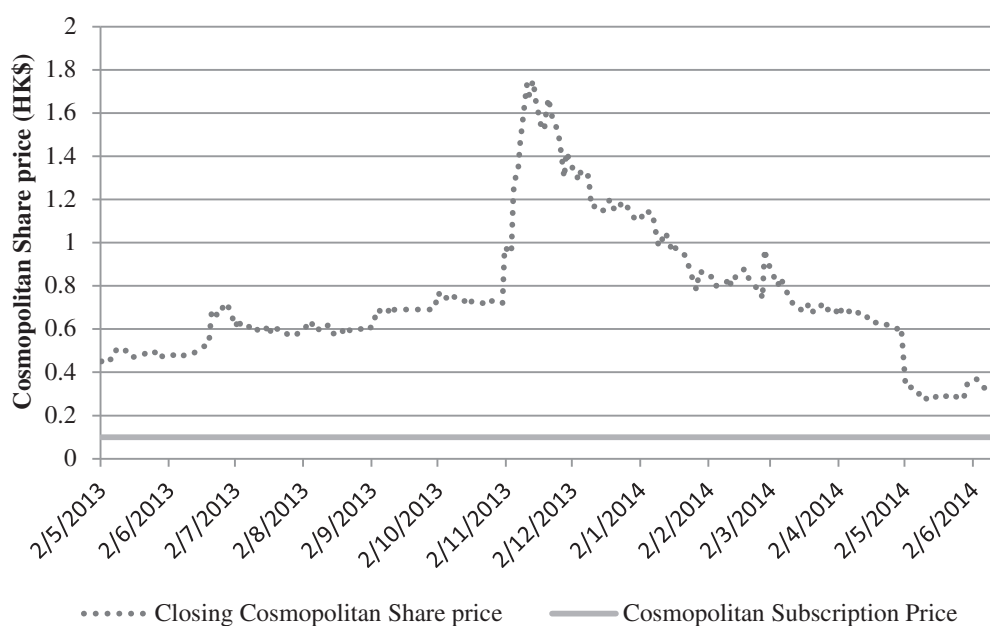
Further details on the ranking of the Cosmopolitan Converted Shares of the Cosmopolitan Convertible Preference Shares are contained in Appendix I to the Cosmopolitan Circular.

Analyses on the Cosmopolitan Subscription Price

To assess the fairness and reasonableness of the Cosmopolitan Subscription Price, we have reviewed the closing price of the Cosmopolitan Shares (as adjusted for Cosmopolitan Share Consolidation) for the period from 1 May 2013, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “Review Period”) and set out the following informative analyses for illustrative purpose.

(i) Historical Cosmopolitan Share price performance

Chart 1: Cosmopolitan Share price performance against the Cosmopolitan Subscription Price during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

Note 1: Trading in the Cosmopolitan Shares was suspended from 16 September 2013 to 30 September 2013, 31 October 2013 and at the afternoon session of 27 January 2014 during the Review Period.

Note 2: The closing prices of the Cosmopolitan Shares during the Review Period are adjusted for Cosmopolitan Share Consolidation for illustrative purpose.

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As shown in chart 1 above, during the Review Period, the highest and lowest closing price of the Cosmopolitan Shares were HK\$0.175 and HK\$0.027 (equivalent to HK\$1.75 and HK\$0.27 as adjusted for Cosmopolitan Share Consolidation) respectively as quoted on the Stock Exchange. The average closing price of the Cosmopolitan Shares during the Review Period was approximately HK\$0.0742 (equivalent to approximately HK\$0.742 as adjusted for Cosmopolitan Share Consolidation). The Cosmopolitan Subscription Price of HK\$0.10 per Cosmopolitan Open Offer Share represents a discount to the closing prices of the Cosmopolitan Shares (after adjusted for the Cosmopolitan Share Consolidation) throughout the Review Period.

We noted that the closing price of the Cosmopolitan Shares rose steadily between June and October 2013, during which Cosmopolitan issued (i) an announcement dated 20 June 2013 with respect to the inside information in relation to the Acquisitions; (ii) an announcement dated 27 June 2013 in relation to, among other things, the Acquisitions, as well as its annual results for the year ended 31 March 2013; and (iii) an announcement dated 30 September 2013 in relation to the mandatory general offer for all Cosmopolitan Shares.

Following the release of the announcement of Cosmopolitan dated 31 October 2013 in respect of the entering into of the cooperation agreement regarding the Wuxi Project, the price of the Cosmopolitan Shares surged sharply from HK\$0.072 (equivalent to HK\$0.72 as adjusted for Cosmopolitan Share Consolidation) on 30 October 2013 to the peak of HK\$0.175 (equivalent to HK\$1.75 as adjusted for Cosmopolitan Share Consolidation) on 14 November 2013. We are of the view that such rapid rise in the price of the Cosmopolitan Shares was due to market speculation of the Wuxi Project, particularly on the likelihood of Cosmopolitan succeeding in winning the bid for the land parcel in Wuxi under the Co-operation Agreement. The trend, however, lost momentum and returned to HK\$0.061 (equivalent to HK\$0.61 as adjusted for Cosmopolitan Share Consolidation) on the Last Trading Day, and further closed at HK\$0.032 (equivalent to HK\$0.320 as adjusted for Cosmopolitan Share Consolidation) as at the Latest Practicable Date.

It is noted that the general market practice for open offer exercises by companies listed in Hong Kong is to issue offer shares at a discount to the prevailing market price of their respective shares, further analysis on the market price is set out in the section headed “Comparison of the Cosmopolitan Subscription Price” below, and the setting of the Cosmopolitan Subscription Price at a discount to the prevailing market price of the Cosmopolitan Shares is in line with the normal market practice. As such, we are of the view that the Cosmopolitan Subscription Price of the Cosmopolitan Open Offer is in line with market practice and is fair and reasonable, and thus is in the interests of Cosmopolitan and the Cosmopolitan Independent Shareholders.

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(ii) Historical trading volume of the Cosmopolitan Shares

Table 2 below shows the average daily trading volume of the Cosmopolitan Shares per month, and the respective percentages of the Cosmopolitan Shares' monthly trading volume as compared to the total number of issued Cosmopolitan Shares at the beginning of the respective month, during the Review Period:

Table 2: Trading volume of the Cosmopolitan Shares during the Review Period

Month	Total trading volume of the Cosmopolitan Shares	No. of trading days <i>(Note)</i>	Average daily trading volume <i>(Approximate)</i>	No. of Cosmopolitan Shares in issue at the beginning of the month	Average daily trading volume over outstanding Cosmopolitan Shares <i>(Approximate %)</i>
May-13	29,260,000	21	1,393,333	11,785,130,951	0.012
Jun-13	275,300,000	19	14,489,474	11,785,130,951	0.123
Jul-13	40,640,000	22	1,847,273	11,785,130,951	0.016
Aug-13	30,740,000	21	1,463,810	11,785,130,951	0.012
Sept-13	300,770,000	10	30,077,000	21,988,047,615	0.137
Oct-13	376,155,000	20	18,807,750	21,988,047,615	0.086
Nov-13	4,172,863,500	21	198,707,786	21,988,047,615	0.904
Dec-13	355,573,750	20	17,778,688	21,988,047,615	0.081
Jan-14	375,520,000	21	17,881,905	21,988,047,615	0.081
Feb-14	861,069,355	19	45,319,440	21,988,047,615	0.206
Mar-14	1,090,480,000	21	51,927,619	21,988,047,615	0.236
Apr-14	310,900,000	20	15,545,000	21,988,047,615	0.071
May-14	2,043,419,850	20	102,170,993	21,988,047,615	0.465
Jun-14 (Up to the Latest Practicable Date)	613,104,000	10	61,310,400	21,988,047,615	0.279

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Cosmopolitan Shares was suspended from 16 September 2013 to 30 September 2013, 31 October 2013 and at the afternoon session of 27 January 2014 during the Review Period.

As illustrated from Table 2 above, we note that the average daily trading volume of the Cosmopolitan Shares per month ranges between approximately 0.01% to approximately 0.90% as a percentage of the Cosmopolitan Shares in issue at the beginning of the respective month. Since the

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liquidity of the Cosmopolitan Shares was thin during the Review Period, we consider that it would be difficult to attract the Cosmopolitan Shareholders to participate in the Cosmopolitan Open Offer if the Cosmopolitan Subscription Price was not set at discount to the historical closing price of the Cosmopolitan Shares (after adjusted for the Cosmopolitan Share Consolidation). Based on the above, we are of the view that setting the Cosmopolitan Subscription Price at discount would enhance the attractiveness of the Cosmopolitan Open Offer and the discount to the closing price of the Cosmopolitan Shares (after adjusted for the Cosmopolitan Share Consolidation) as represented by the Cosmopolitan Subscription Price is justifiable.

Comparison of the Cosmopolitan Subscription Price

To assess the fairness and reasonableness of the Cosmopolitan Subscription Price, we have reviewed fund raising exercises that are selected based on the following criteria: (i) announced by companies listed on the Stock Exchange; (ii) by way of open offer of ordinary shares; and (iii) during the three-month period prior to the Last Trading Day which represents a reasonable and meaningful period to reflect the recent market condition and sentiment for conducting open offer to raise fund. We have, to our best effort, identified and made references to, so far as we are aware, 9 companies which meet the aforesaid criteria, and are exhaustive and each of them represents a fair and representative sample (the “Open Offer Comparables”). Cosmopolitan Independent Shareholders should note that the companies of the identified open offer exercise are not identical to Cosmopolitan in terms of principal business, operations and financial position, and that the determination of subscription price of the open offer exercise was made with reference to the arm’s length commercial negotiation between the companies and the underwriters, the share price performance, financial positions of the companies and the then prevailing market condition. Nevertheless, we consider that such open offer exercises could provide a general reference for the recent common market practice of companies listed on the Stock Exchange with respect of open offer exercises under similar market condition and sentiments as the Cosmopolitan Open Offer. Details of our analyses are set out in the following table:

Table 3: Analysis of Open Offer Comparables

Company name (stock code)	Date of announcement	Basis for entitlement	Discount of subscription price to the closing price on the last trading day (%)	Discount of subscription price to the theoretical ex-entitlement price (%)	Excess application (Y/N)	Maximum dilution (Note 1)	Commission
21 Holdings Limited (1003)	25-Apr-14	1 for 2	49.49	16.46	N	33.33%	3.50%
Inno-Tech Holdings Limited (8202)	25-Apr-14	25 for 1	90.30	26.40	N	96.15%	3.00%
Hao Tian Development Group Limited (474) (Note 2)	25-Apr-14	2 for 1 (with 1 bonus share for every 1 offer share taken up)	91.83	69.21	N	80.00%	2.50%

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Company name (stock code)	Date of announcement	Basis for entitlement	Discount of subscription price to the closing price on the last trading day (%)	Discount of subscription price to the theoretical ex-entitlement price (%)	Excess application (Y/N)	Maximum dilution (Note 1)	Commission
China Packaging Group Company Limited (572)	22-Apr-14	1 for 2	70.37	61.17	N	33.33%	2.50%
MelcoLot Limited (8198)	11-Apr-14	3 for 10	24.40	19.90	N	23.08%	3.00%
Sunwah Kingsway Capital Holdings Limited (188) (Note 2)	11-Apr-14	1 for 4	5.13	3.90	Y	20.00%	2.00%
Well Way Group Limited (8063)	1-Apr-14	1 for 2	22.20	15.97	N	33.33%	3.50%
Ground Properties Company Limited (989) (Note 2)	28-Mar-14	1 for 2	28.57	20.95	Y	33.33%	nil
Sustainable Forest Holdings Limited (723)	27-Feb-14	1 for 10 (with 5 bonus shares for every 1 offer share taken up)	64.40	53.20	N	37.50%	2.50%
Ming Fung Jewellery Group Limited (860)	26-Feb-14	1 for 2	57.90	47.70	N	33.33%	1.00%
Mean			50.46	33.49		42.34%	2.35%
Median			53.70	23.68		33.33%	2.50%
Max			91.83	69.21		96.15%	3.50%
Min			5.13	3.90		20.00%	nil
The Cosmopolitan Open Offer		2 for 1	83.60	63.00	Y	66.67%	nil

Note 1: Maximum dilution effect of each open offer is calculated as: ((number of offer shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the offer shares under the basis of entitlement + number of offer shares to be issued under the basis of entitlement) x 100%, e.g. for an open offer with basis of 1 offer share for every 2 existing shares, the maximum dilution effect is calculated as ((1)/(2+1))x100% = 33.33%.

Note 2: The underwriter for the open offer exercise is a connected person to the listed issuer of the respective Open Offer Comparable.

As shown in the above table, the discounts represented by the subscription prices to the closing prices of shares of the Open Offer Comparables on the last trading days prior to the release of the respective announcements ranged from approximately 5.13% to approximately 91.83% (the “Market Range”) with a mean and a median of approximately 50.46% and approximately 53.70% respectively. The discount of approximately 83.6% as represented by the Cosmopolitan Subscription Price to the closing price of the Cosmopolitan Shares (as adjusted for the Cosmopolitan Share Consolidation) on the Last Trading Day falls within the Market Range and is above the mean and median of the selected open offer exercises.

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In addition, the discounts represented by the subscription prices to the theoretical ex-entitlement prices of the shares of the Open Offer Comparables ranged from approximately 3.90% to approximately 69.21% (the “TEP Market Range”) with a mean and a median of approximately 33.49% and approximately 23.68% respectively. The discount of approximately 63.0% as represented by the Cosmopolitan Subscription Price to the theoretical ex-entitlement price of the Cosmopolitan Shares (as adjusted for the Cosmopolitan Share Consolidation) falls within the TEP Market Range but is above the mean and median of the Open Offer Comparables.

We consider that, in general, it is common for the listed issuers in Hong Kong to issue open offer shares at a discount to the market price in order to enhance the attractiveness of an open offer exercise. Having considered that (i) the Cosmopolitan Subscription Price was determined after arm’s length negotiations between Cosmopolitan and the Underwriter; (ii) the discounts represented by the Cosmopolitan Subscription Price to each of the closing price of the Last Trading Day and theoretical ex-entitlement price fall within the range of that of the recent open offer exercises respectively as detailed in the analysis above, (iii) the need to strengthen the capital base of the Cosmopolitan Group to support its property development projects as analysed in the section headed “2. Reasons for and use of proceeds of the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds” above; (iv) it is common for the listed issuers in Hong Kong to issue open offer shares at a discount to the market price in order to enhance the attractiveness of an open offer exercise; (v) no underwriting commission is charged by the Underwriter; (vi) all Cosmopolitan Qualifying Shareholders are offered an equal opportunity to participate in the Cosmopolitan Open Offer and to take up their entitlements in full at the same price to maintain respective shareholdings in Cosmopolitan; and (vii) the thin trading liquidity of the Cosmopolitan Shares as demonstrated in the section headed “Historical trading volume of the Cosmopolitan Shares” above, which the market price of the Cosmopolitan Shares may be influenced by the slight change in trading volume of the Cosmopolitan Shares, implying a disposal of a small amount of the Cosmopolitan Shares may exert downward pressure on the Cosmopolitan Share price, we consider it is fair and reasonable for Cosmopolitan to set the Cosmopolitan Subscription Price at the proposed level of discount.

(c) Underwriting arrangements

Pursuant to the Underwriting Agreement, Cosmopolitan is not required to pay the Underwriter any underwriting commission.

We noted from the analysis on the open offer exercises as set out in Table 3 above that the underwriting commission charged by the respective underwriters of the open offer exercises ranged from nil to 3.50% on funds raised. The absence of the underwriting commission would reduce the overall expenses incurred in the Cosmopolitan Open Offer, which is in the interest of Cosmopolitan and the Cosmopolitan Shareholders as a whole.

(d) Application for excess Cosmopolitan Open Offer Shares

As set out in the Letter from the Cosmopolitan Board, under the Cosmopolitan Open Offer, the Cosmopolitan Qualifying Shareholders may apply for the entitlements of the Excluded Cosmopolitan Shareholders and any Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible

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

The Cosmopolitan Directors will allocate the excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares at their discretion, but on a fair and equitable basis to Cosmopolitan Qualifying Shareholders who have applied for excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares. Further details of the allocation basis of any excess Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares are contained in Appendix I to the Cosmopolitan Circular.

We are not aware of the allocation arrangement of excess application of the Cosmopolitan Open Offer is unusual to that of the Open Offer Comparables and consider such allocation arrangement is in line with normal market practice.

(e) Forms of the Cosmopolitan Convertible Preference Shares

Each Cosmopolitan Convertible Preference Share shall be convertible into one Cosmopolitan Converted Share, subject to adjustment upon the occurrence of consolidation or subdivision of the Cosmopolitan Consolidated Shares which in our view is a normal commercial term and is fair and reasonable. The Cosmopolitan Converted Shares, when issued, will rank *pari passu* in all respects of the Cosmopolitan Consolidated Shares in issue as at the date of conversion. It is noted that no conversion can be made to the extent that it would result in Cosmopolitan failing to comply with the public float requirement under the Listing Rules (i.e. 25%).

It is noted that the P&R Group owns in aggregate 67.5% of the issued share capital of Cosmopolitan, and P&R Strategic Limited, being the Underwriter, is a wholly-owned subsidiary of P&R. Accordingly, without in place the alternative of electing to receive Cosmopolitan Convertible Preference Shares, we consider that there is considerable likelihood that in the event the P&R Group applies for excess Cosmopolitan Open Offer Shares not taken up by the Cosmopolitan Qualifying Shareholders and/or the Underwriter subscribes for Cosmopolitan Open Offer Shares under the underwriting arrangement, the P&R Group may hold over 75% in the issued share capital of Cosmopolitan, and in such event Cosmopolitan would fail to comply with the public float requirement under the Listing Rules. As such, by providing the alternative to Cosmopolitan Qualifying Shareholders, including the P&R Group, of electing to receive Cosmopolitan Convertible Preference Shares in lieu of all or part of their entitlements to Cosmopolitan Open Offer Shares on a “one-for-one” basis under the Cosmopolitan Open Offer, the P&R Group, as Cosmopolitan Qualifying Shareholders, could participate in the Cosmopolitan Open Offer pursuant to their entitlements and the Underwriter could assume its underwriting function in the Cosmopolitan Open Offer, while allowing Cosmopolitan to continue to comply with the public float requirement under the Listing Rules, which we consider justifiable.

As a fair treatment to all Cosmopolitan Qualifying Shareholders, all Cosmopolitan Qualifying Shareholders are entitled to elect to receive Cosmopolitan Convertible Preference Shares in lieu of all or part of their entitlements to Cosmopolitan Open Offer Shares on a “one-for-one” basis under the

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Cosmopolitan Open Offer. Regarding the terms of the Cosmopolitan Convertible Preference Share, each Cosmopolitan Convertible Preference Share shall confer on the holder thereof the right to receive dividends and other distributions *pari passu* with holders of Cosmopolitan Consolidated Share on the basis of the number of Cosmopolitan Converted Share into which each Cosmopolitan Convertible Preference Share may be converted and on an as-if converted basis. A holder may not exercise his conversion right unless the number of Cosmopolitan Convertible Preference Shares to be converted in connection with such exercise equals or is greater than 10,000, subject to adjustment upon the occurrence of consolidation or subdivision of the Cosmopolitan Consolidated Shares. In case where the number of all the Cosmopolitan Convertible Preference Shares held by a holder is less than 10,000, he may exercise his conversion right in respect of all such Cosmopolitan Convertible Preference Shares. The Cosmopolitan Convertible Preference Shares may be transferred without any restriction.

Cosmopolitan Qualifying Shareholders, other than the P&R Group, are reminded that, while they are free to elect to receive the Cosmopolitan Open Offer Shares or the Cosmopolitan Convertible Preference Shares as alternative pursuant to their entitlements under the Cosmopolitan Open Offer, the Cosmopolitan Convertible Preference Shares, however, will not be listed on the Stock Exchange or any other stock exchange, and have no right to vote at a general meeting of Cosmopolitan (except on a resolution for winding-up of Cosmopolitan).

4. **Principal terms of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds**

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

For the Cosmopolitan Convertible Bonds:

Principal amount:	HK\$500 million
Issuer:	A wholly-owned subsidiary of Cosmopolitan principally engaged in financing activities.
Cosmopolitan CB Conversion Price:	The initial Cosmopolitan CB Conversion Price (subject to adjustments) shall be HK\$0.35 per Cosmopolitan Conversion Share, which represents: (i) a premium of approximately 250.0% over the Cosmopolitan Subscription Price;

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- (ii) a discount of approximately 42.6% to the closing price of HK\$0.610 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 42.8% to the average closing price of the Cosmopolitan Shares of approximately HK\$0.612 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 43.7% to the average closing price of the Cosmopolitan Shares of approximately HK\$0.622 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day;
- (v) a discount of approximately 38.2% to the unaudited consolidated net assets of Cosmopolitan attributable to the Cosmopolitan Shareholders as at 31 December 2013 of approximately HK\$0.566 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) in issue as at the Latest Practicable Date;
- (vi) a premium of approximately 29.6% over the theoretical ex-entitlement price of approximately HK\$0.270 per Cosmopolitan Share (after adjusted for Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vii) a premium of approximately 9.4% over the closing price of HK\$0.320 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date.

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

Interest rate:

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

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

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

For the Cosmopolitan Optional Convertible Bonds:

Maximum principal amount: HK\$500.0 million

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

Cosmopolitan Optional CB Conversion Price: The initial Cosmopolitan Optional CB Conversion Price (subject to adjustments) shall be HK\$0.40 per Cosmopolitan Conversion Share, which represents:

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

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- (v) a discount of approximately 29.3% to the unaudited consolidated net assets of Cosmopolitan attributable to the Cosmopolitan Shareholders as at 31 December 2013 of approximately HK\$0.566 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) in issue as at the Latest Practicable Date;
- (vi) a premium of approximately 48.1% over the theoretical ex-entitlement price of approximately HK\$0.270 per Cosmopolitan Share (after adjusted for Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vii) a premium of 25% over the closing price of HK\$0.320 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date.

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

Interest rate:

The Cosmopolitan Optional Convertible Bonds bears 3.5% per annum coupon rate, payable semi-annually

Maturity date:

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

Form:

The Cosmopolitan Optional Convertible Bonds will be issued in registered form.

The initial Cosmopolitan Conversion Prices of both the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds will be subject to adjustments for share consolidations, share subdivisions, re-classification of share into other securities (upon which the Cosmopolitan Conversion Prices will be adjusted proportionately such that their holders would receive the number of Cosmopolitan Shares and/or such other securities which they would have been entitled to had they been converted before the re-classification), capitalisation issues, capital distributions, rights issues,

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and certain other dilutive events, including issue of new Cosmopolitan Consolidated Shares at a subscription price below the then prevailing market price of the Cosmopolitan Consolidated Shares and issue of convertible securities with conversion prices below the then prevailing market price of the Cosmopolitan Consolidated Shares.

Summary of the other principal terms of the Cosmopolitan Convertible Bonds and Cosmopolitan Optional Convertible Bonds is set out in Appendix II to the Cosmopolitan Circular.

In assessing fairness of the principal terms of the Cosmopolitan Convertible Bonds and Cosmopolitan Optional Convertible Bonds, we have identified and reviewed transactions involving the issue of convertible notes/bonds that are selected based on the following criteria: (i) announced by the companies listed on the Stock Exchange; (ii) during the three-month period prior to the Last Trading Day which represents a reasonable and meaningful period to reflect the recent market condition and sentiment for issuance of convertible securities to raise fund. We have, to our best effort, identified and made reference to, so far as we are aware, 20 companies which meet the aforesaid criteria, and are exhaustive and each of them represents a fair and representative sample (the “CB Comparables”). Cosmopolitan Independent Shareholders should note that the companies of the identified issuance of convertible securities are not identical to Cosmopolitan in terms of principal business, operations and financial position, and that the determination of conversion price of the convertible bonds was made with reference to the arm’s length commercial negotiation between the companies, the share price performance, financial positions of the companies and the then prevailing market condition. Nevertheless, we consider that such issue of convertible notes/bonds could provide a general reference for the recent common market practice of companies listed on the Stock Exchange with respect to the issuance of Cosmopolitan Convertible Bonds and Cosmopolitan Optional Convertible Bonds under similar market condition and sentiments. Details of our analyses are set out in the following table:

Company name (Stock code)	Date of announcement	Premium/ (Discount) of the issue price of the conversion shares over/(to) the closing price of the shares on the last trading day (%)	Maturity (months)	Interest (per annum)	Principal amount (HK\$'000)
MicroPort Scientific Corporation (853)	27-Apr-14	24.14	60	LIBOR plus 1%	780,000 (Note)
China Renji Medical Group Limited (648)	17-Apr-14	(4.80)	36	5.00%	10,000
Shunfeng Photovoltaic International Limited (1165)	14-Apr-14	13.51	60	4.00%	2,300,000
Peace Map Holding Limited (402)	12-Apr-14	1.21	12	0.00%	249,800

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Company name (Stock code)	Date of announcement	Premium/ (Discount) of the issue price of the conversion shares over/(to) the closing price of the shares on the last trading day (%)	Maturity (months)	Interest (per annum)	Principal amount (HK\$'000)
Jun Yang Solar Power Investments Limited (397)	10-Apr-14	8.91	24	5.00%	195,677
REXLot Holdings Limited (555)	10-Apr-14	34.00	60	4.50%	1,900,000
China LotSynergy Holdings Limited (1371)	8-Apr-14	22.40	60	5.00%	780,000
China HealthCare Holdings Limited (673)	8-Apr-14	(44.40)	36	0.00%	225,000
Kingdee International Software Group Company Limited (268)	8-Apr-14	34.02	60	4.00%	1,365,000 <i>(Note)</i>
Kingsoft Corporation Limited (3888)	3-Apr-14	40.00	60	1.25%	2,327,000
Chinese Food And Beverage Group Limited (8272)	1-Apr-14	1.82	42	3.00%	292,500 <i>(Note)</i>
Crosby Capital Limited (8088)	1-Apr-14	12.68	36	5.00%	175,000
Intime Retail (Group) Company Limited (1833)	31-Mar-14	(9.39)	36	1.50%	3,706,067
Sinopoly Battery Limited (729)	20-Mar-14	7.14	36	8.00%	400,000
China Huiyuan Juice Group Limited (1886)	20-Mar-14	14.38	60	4.00%	1,170,000 <i>(Note)</i>
Prosperity International Holdings (H.K.) Limited (803)	14-Mar-14	70.00	12/36	8.25%	390,000 <i>(Note)</i>
SMI Corporation Limited (198)	14-Mar-14	(1.67)	60	8.00%	77,644
Johnson Electric Holdings Limited (179)	12-Mar-14	37.50	84	1.00%	1,560,000 <i>(Note)</i>
ASM Pacific Technology Limited (0522)	4-Mar-14	35.00	60	2.00%	2,400,000
China Rongsheng Heavy Industries (01101)	24-Feb-14	(28.57)	30	7.00%	1,000,000
Mean		13.40	45.7	4.03%	
Median		13.10	42.0	4.00%	

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Company name (Stock code)	Date of announcement	Premium/ (Discount) of the issue price of the conversion shares over/(to) the closing price of the shares on the last trading day (%)	Maturity (months)	Interest (per annum)	Principal amount (HK\$'000)
Max		70.00	84.0	8.25%	
Min		(44.40)	12.0	0.00%	
Compared with the theoretical ex-entitlement price					
Cosmopolitan Convertible Bonds		29.6%	36	2.50%	500,000
Cosmopolitan Optional Convertible Bonds		48.1%	36	3.50%	500,000
Compared with the closing price on the Last Trading Day					
Cosmopolitan Convertible Bonds		(42.6)%			
Cosmopolitan Optional Convertible Bonds		(34.4)%			

Note: The respective amounts which are in US\$ has been converted into HK\$ based on the approximate exchange rate of US\$1.00 against HK\$7.80 for illustrative purpose only.

(a) Cosmopolitan Conversion Price

As the completion of the Cosmopolitan Convertible Bonds Subscription Agreement is conditional upon the satisfaction of the condition of, among others, closing of the Cosmopolitan Open Offer, conversion of the Cosmopolitan Convertible Bonds and/or Cosmopolitan Optional Convertible Bonds (if any) would only take place after closing of the Cosmopolitan Open Offer, and in such case, the Cosmopolitan CB Conversion Price and the Cosmopolitan Optional CB Conversion Price are compared with the theoretical ex-entitlement price under the Cosmopolitan Open Offer, which appropriately reflects the effect of the Cosmopolitan Open Offer on the Cosmopolitan Share price. As shown in the above table, the discount represented by the conversion price to the respective share closing price of the CB Comparables on the last trading day prior to the release of the respective announcements ranges from a premium of approximately 70.00% to a discount of approximately 44.40% with a mean of premium of approximately 13.40% and a median of premium of approximately 13.10%. It is noted that the Cosmopolitan CB Conversion Price and the Cosmopolitan Optional CB Conversion Price represent a premium of approximately 29.6% and approximately 48.1% respectively

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over the theoretical ex-entitlement price of HK\$0.270 per Cosmopolitan Share (after adjusted for Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day, which fall within the range and are above the mean and the median in the analysis.

The Cosmopolitan CB Conversion Price and the Cosmopolitan Optional CB Conversion Price are also compared for reference with the closing price of the Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) on the Last Trading Day. It is noted that the discount of 42.6% represented by the Cosmopolitan CB Conversion Price of the Cosmopolitan Convertible Bonds and the discount of 34.4% represented by the Cosmopolitan Optional CB Conversion Price of the Cosmopolitan Optional Convertible Bonds to the closing price of the Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) on the Last Trading Day fall within the range and are below the mean and the median in the analysis.

(b) *Coupon interest*

As shown in the above table, the coupon interest of the convertible notes issued under the respective CB Comparables ranges from nil to 8.25%, with a mean of approximately 4.03% and a median of 4.00%.

It is considered that the coupon interest of 2.5% of the Cosmopolitan Convertible Bonds and the coupon interest of 3.5% of the Cosmopolitan Optional Convertible Bonds falls within the said range and is below the mean and the median in the analysis.

(c) *Maturity*

As shown in the above table, the maturity of the convertible notes issued under the respective CB Comparables ranges from 1 year to 7 years. It is noted that the maturity of 3 years of each of the Cosmopolitan Convertible Bonds and Cosmopolitan Optional Convertible Bonds falls within the said range.

(d) *Other terms of the Cosmopolitan Convertible Bonds and Cosmopolitan Optional Convertible Bonds*

We have also reviewed other major terms of the Cosmopolitan Convertible Bonds and Cosmopolitan Optional Convertible Bonds and are not aware of any terms which are unusual. Based on the above analysis, we consider the key terms of the Cosmopolitan Convertible Bonds and Cosmopolitan Optional Convertible Bonds are on normal commercial terms and are fair and reasonable so far as the Cosmopolitan Independent Shareholders are concerned.

While it is noted that the discounts represented by both the Cosmopolitan CB Conversion Price and the Cosmopolitan Optional CB Conversion Price to the closing price of the Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) on the Last Trading Day falls below the mean and the median of that of the CB Comparables, after taking into account that (i) both the Cosmopolitan CB Conversion Price and the Cosmopolitan Optional CB Conversion Price represents premiums of approximately 29.6% and approximately 48.1% over the theoretical ex-entitlement price

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of approximately HK\$0.270 per Share (after adjusted for Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day, which appropriately reflects the effect of the Cosmopolitan Open Offer on the Cosmopolitan Share price, given that conversion of the Cosmopolitan Convertible Bonds and/or Cosmopolitan Optional Convertible Bonds (if any) would only take place after closing of the Cosmopolitan Open Offer, and such premiums fall within the range and are above the mean and median of that of the CB Comparables; (ii) the discounts represented by both the Cosmopolitan CB Conversion Price and the Cosmopolitan Optional CB Conversion Price to the closing price of the Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) on the Last Trading Day falls within the range of that of the CB Comparables; (iii) the reasons for and the benefits of, among others, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds as discussed above; (iv) both the initial Cosmopolitan CB Conversion Price and the initial Cosmopolitan Optional CB Conversion Price were determined by the Cosmopolitan Board and were agreed and accepted by P&R; (v) terms including the coupon interest, maturity, adjustments to the conversion price of both the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds and other terms of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds are on normal commercial terms and are fair and reasonable; and (vi) the granting of the Cosmopolitan Option to P&R is fair and reasonable, we consider that the principal terms of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds are on normal commercial terms, fair and reasonable and are in the interest of Cosmopolitan and the Cosmopolitan Independent Shareholders.

5. Potential dilution effect to the Cosmopolitan Shareholders

The Cosmopolitan Open Offer offers all the Cosmopolitan Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of Cosmopolitan and enables the Cosmopolitan Qualifying Shareholders to maintain their proportionate interests in Cosmopolitan and to participate in the future business development of Cosmopolitan should they wish to do so. However, those Cosmopolitan Qualifying Shareholders who do not take up the Cosmopolitan Open Offer to which they are entitled and the Excluded Cosmopolitan Shareholders should note that their shareholdings in Cosmopolitan will be diluted upon closing of the Cosmopolitan Open Offer. Assuming no Cosmopolitan Shareholders (other than P&R Group) taking up their pro-rata Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares entitlements, and given that Cosmopolitan may not issue any Cosmopolitan Open Offer Shares to the extent that it would result in Cosmopolitan failing to comply with any public float requirement under the Listing Rules, shareholding of the public shareholders of Cosmopolitan will be reduced from approximately 32.4% to approximately 25% upon closing of the Cosmopolitan Open Offer.

Assuming no Cosmopolitan Shareholders (other than P&R Group) taking up their pro-rata Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares entitlements, shareholding of the public shareholders of Cosmopolitan will be reduced from approximately 32.4% to (i) approximately 12.9% upon the conversions of the Cosmopolitan Convertible Bonds and Cosmopolitan Optional Convertible Bonds in full (assuming P&R Group has subscribed for the Cosmopolitan Optional Convertible Bonds in full); and (ii) approximately 7.7% upon the conversions of all Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds as well as the conversion of all Cosmopolitan Convertible Preference Shares. It

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should be noted that the aforesaid figures are for illustration purposes only as the exercise of the conversion rights attaching to the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds and the Cosmopolitan Convertible Preference Shares are subject to Cosmopolitan meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

Having taken into account that (i) the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds would strengthen the capital base and would enhance the Group's financial position and financial flexibility to better support its property development projects; (ii) the principal terms of the Cosmopolitan Open Offer, the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds are normal commercial terms and are fair and reasonable; and (iii) in respect of the Cosmopolitan Open Offer, all Cosmopolitan Qualifying Shareholders are offered an equal opportunity to maintain their shareholding interests in Cosmopolitan and allowed to participate in the business growth of Cosmopolitan, we consider that the potential dilution effects of the Cosmopolitan Open Offer, the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds are acceptable.

6. Financial effects of the Cosmopolitan Open Offer, the issue of Cosmopolitan Convertible Bonds and the possible issue of Cosmopolitan Optional Convertible Bonds

The Cosmopolitan Open Offer

(i) *Net tangible assets/net assets*

According to the unaudited pro forma financial information of the Cosmopolitan Group as in respect of the Cosmopolitan Open Offer set out in Appendix V to the Cosmopolitan Circular, the unaudited consolidated net tangible assets attributable to the Cosmopolitan Shareholders was approximately HK\$1,379.02 million as at 31 December 2013. Upon closing of the Cosmopolitan Open Offer, the unaudited pro forma adjusted consolidated net tangible assets attributable to the Cosmopolitan Shareholders would be approximately HK\$1,815.28 million. Such increase is attributable to the estimated net proceeds from the Cosmopolitan Open Offer of approximately HK\$436.30 million. This significant improvement in the financial position of the Cosmopolitan Group is beneficial to Cosmopolitan and the Cosmopolitan Shareholders as a whole.

The net asset value per Cosmopolitan Consolidated Share as at 31 December 2013 was approximately HK\$0.566 (after adjustment for the Cosmopolitan Share Consolidation), calculated based on the audited net assets attributable to the Cosmopolitan Shareholders of approximately HK\$1,244.82 million as at 31 December 2013 and the total number of 2,198,804,761 Cosmopolitan Consolidated Shares (after adjustment for the Cosmopolitan Share Consolidation) in issue as at 31 December 2013. Assuming the Cosmopolitan Open Offer and the issue and full conversion of the Cosmopolitan Preference Shares, the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds had taken place on 31 December 2013, the net asset value per Cosmopolitan Consolidated Share would be approximately HK\$0.29 (after adjustment for the Cosmopolitan Share Consolidation), calculated based on the unaudited net assets attributable to the Cosmopolitan Shareholders of approximately HK\$2,681.08 million and 9,274,985,711 Cosmopolitan Consolidated Shares (after adjustment for the Cosmopolitan Share Consolidation) would have been in issue. Despite the Cosmopolitan Open Offer and the issue of the Cosmopolitan Convertible Bonds and the

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Cosmopolitan Optional Convertible Bonds may lead to the lower net asset value per Cosmopolitan Consolidated Share, having considered the reasons for and benefits of the Cosmopolitan Open Offer and the issue of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds as discussed above, we are of the view that such exercises would allow the Cosmopolitan Group to raise funds of a total of approximately HK\$1,436.26 million for its future developments, to strengthen its financial position and financial flexibility, and increase the net assets of the Cosmopolitan Group which is in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole.

(ii) *Liquidity*

According to the annual report of Cosmopolitan for the nine months ended 31 December 2013, the cash and bank balances together with the time deposits of the Cosmopolitan Group as at 31 December 2013 were approximately HK\$399.57 million, of which approximately RMB297 million (equivalent to approximately HK\$370 million) has been earmarked for the Tongzhou Project, as disclosed in the announcement of the Cosmopolitan published on 26 February 2014. Upon closing of the Cosmopolitan Open Offer, Cosmopolitan would raise net proceeds of approximately HK\$436.3 million. The cash and bank balances of the Cosmopolitan Group is expected to increase. As such, the current ratio of Cosmopolitan will improve accordingly.

(iii) *Gearing ratio*

According to the annual report of Cosmopolitan for the nine months ended 31 December 2013, the net gearing ratio of the Cosmopolitan Group as at 31 December 2013 was approximately 58.10% (calculated based on the total borrowings (including the considerations payable to the vendors for acquisition of the property projects) net of cash and bank balances and time deposits over total assets according to the annual report of Cosmopolitan for the nine months ended 31 December 2013). Upon closing of the Cosmopolitan Open Offer, the capital base of the Cosmopolitan Group would be enlarged upon completion of the Cosmopolitan Open Offer whilst the borrowings of the Cosmopolitan Group are not expected to change immediately after completion of the Cosmopolitan Open Offer. As such, the net gearing ratio of the Cosmopolitan Group is expected to improve upon closing of the Cosmopolitan Open Offer.

The issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds

(i) *Net assets*

The Cosmopolitan Option will be recognised as derivative financial liability under current liabilities in the Cosmopolitan Group's balance sheet at fair value to be valued by independent qualified professional valuer, which has no effect on the cash flow statement of the Cosmopolitan Group, and will be remeasured at each subsequent reporting date. As at 31 May 2014, being the latest practicable date for illustrative purpose, the fair value of the Cosmopolitan Option was approximately HK\$64.1 million. We noted that the preliminary valuation of the Cosmopolitan Option is prepared by an independent valuer (the "Valuer") adopting the Binomial Option Pricing Model after taking into account the terms of the option and the Cosmopolitan Optional Convertible Bonds and the available

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parameters as of 31 May 2014, including (i) the price per Cosmopolitan Share; (ii) the historical volatility of the Cosmopolitan Shares; (iii) the yield of Hong Kong Exchange Fund Note as the risk-free rate; (iv) dividend yield of Cosmopolitan; and (v) the credit rating of Cosmopolitan. It is noted that the Binomial Option Pricing Model is a common pricing model for valuing options. According to the official website of the Valuer, the Valuer is a professional firm providing valuation and consulting services for a wide range of industries and business functions. Since its establishment in 2002, it has worked with listed companies and private businesses in Hong Kong, Macau, mainland China and other countries. In view of the experience of the Valuer and that the pricing model adopted for the valuation is a common market practice, we considered that such valuation is reliable. However, the Cosmopolitan Shareholders should be aware that the actual fair value of the Cosmopolitan Option will be determined based on the available parameters as of the date of granting of the Cosmopolitan Option. Accordingly, the Cosmopolitan Group's net assets are expected to be reduced by the fair value of the Cosmopolitan Option. Having considered the reasons for and benefits of the possible issue of the Cosmopolitan Optional Convertible Bonds, we are of the view that the financial effect of the granting of the Cosmopolitan Option on the Cosmopolitan Group's net assets is acceptable.

As advised by the management of Cosmopolitan, on issuance of the Cosmopolitan Convertible Bonds and, if applicable, the Cosmopolitan Optional Convertible Bonds, the fair values of the liability components are determined using a market rate for equivalent non-convertible bonds, and these amount are carried as long term liabilities on the amortised cost basis until extinguished on conversion or redemption. The remainders of the proceeds are allocated to the conversion options embedded in the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds and are recognised and included in shareholders' equity. The carrying amount of these conversion options will not be remeasured in subsequent years. Upon the issue of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds, the cash and bank balances of the Cosmopolitan Group will increase by the amount of the respective gross proceeds thereof before any expenses. As such, changes in the net assets of the Cosmopolitan Group due to the issue of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds are expected to be minimal.

(ii) *Earnings*

The Cosmopolitan Option will be recognised as derivative financial liability under current liabilities in the Cosmopolitan Group's balance sheet at fair value to be valued by independent qualified professional valuer, which was approximately HK\$64.1 million as at 31 May 2014, being the latest practicable date for illustrative purpose, and will be remeasured at each subsequent reporting date. An expense in the amount equals to the fair value of the Cosmopolitan Option as at the date of granting such option will be incurred and be reflected in the Cosmopolitan Group's income statement upon the grant of the Cosmopolitan Option. Any gain/loss on changes in fair value of the Cosmopolitan Option as remeasured at each subsequent reporting date will be reflected in the Cosmopolitan Group's income statement.

The Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds shall carry interest at the rates of 2.5% and 3.5% per annum respectively which shall be accounted for as interest expenses in the Cosmopolitan Group's income statement from the date of issue and until the conversion and/or the redemption of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds in full.

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Despite the issue of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds may have negative impact to the Cosmopolitan Group's income statement, having considered the reasons for and benefits of the issue of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds, we are of the view that such issue is necessary to allow the Cosmopolitan Group to raise additional funds for its future developments and to strengthen its financial position and financial flexibility which is in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole.

(iii) *Liquidity and working capital*

Upon completion of the issue of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds, the Cosmopolitan Group is expected to raise the gross proceeds of and cash and bank balances would increase by HK\$1,000 million before any expense, if any, and before application of such proceeds as intended, while the liability component of each of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds will be carried as non-current liability of the Cosmopolitan Group. It is noted that gross proceeds of HK\$500 million from the issue of the Cosmopolitan Convertible Bonds are intended to be applied towards (i) repayment in full of HK\$200 million outstanding facility to the Paliburg Group and (ii) partial settlement of HK\$300 million consideration payable to the P&R Group. On the other hand, the Cosmopolitan Option will be recognised as derivative financial liability under current liabilities in the Cosmopolitan Group's balance sheet at fair value to be valued by independent qualified professional valuers, which was approximately HK\$64.1 million as at 31 May 2014, being the latest practicable date for illustrative purpose, and has no effect on the cash flow statement of the Cosmopolitan Group. Accordingly, as a whole, it is expected that the Cosmopolitan Group's liquidity and working capital will be improved upon completion of the issue of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Cosmopolitan Group will be upon completion of the Cosmopolitan Open Offer, the issue of Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds.

RECOMMENDATIONS

Based on the abovementioned principal factors and reasons for the Cosmopolitan Open Offer, the Issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds, in particular that:

- the Cosmopolitan Open Offer would strengthen the capital base, thereby enhancing the Cosmopolitan Group's financial position and financial flexibility to better support its property development projects;
- all Cosmopolitan Qualifying Shareholders are offered an equal opportunity to participate in the Cosmopolitan Open Offer to take up their provisional allotments in full to maintain their respective shareholdings in Cosmopolitan;

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- the Cosmopolitan Open Offer is an equitable means to raise capital for the Cosmopolitan Group compared with other alternative means of financing;
- the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds will not result in immediate dilution effect on the shareholding of the existing Cosmopolitan Shareholders and therefore are equitable means of lowering the interest burden of the Cosmopolitan Group, extending the repayment date of outstanding amount due by the Cosmopolitan Group as well as raising additional funding on top of the Cosmopolitan Open Offer which would further strengthen the financial position of the Cosmopolitan Group;
- the setting of the Cosmopolitan Subscription Price, which represents a discount of approximately 83.6% to the closing price of the Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Last Trading Day, which falls within the range of that of the Open Offer Comparables, could enhance the attractiveness of the Cosmopolitan Open Offer;
- no underwriting commission is charged by the Underwriter for the Cosmopolitan Open Offer which is fair and reasonable;
- the premium represented by both the Cosmopolitan CB Conversion Price and the Cosmopolitan Optional CB Conversion Price over the theoretical ex-entitlement price of approximately HK\$0.270 per Cosmopolitan Share (after adjusted for Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day, which appropriately reflects the effect of the Cosmopolitan Open Offer on the Cosmopolitan Share price, given that conversion of the Cosmopolitan Convertible Bonds and/or Cosmopolitan Optional Convertible Bonds (if any) would only take place after closing of the Cosmopolitan Open Offer, fall within the range and are above the mean and the median of the CB Comparables;
- the discounts represented by both Cosmopolitan CB Conversion Price and the Cosmopolitan Optional CB Conversion Price to the closing price of the Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) on the Last Trading Day falls within the range of that of the CB Comparables;
- terms including the coupon interest and maturity and other terms of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds are on normal commercial terms and are fair and reasonable;
- the potential dilution effects of the Cosmopolitan Open Offer, the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds on the shareholding interest of the Cosmopolitan Shareholders are acceptable, having taken into the factors as elaborated in the paragraphs under the section headed “Potential dilution effect to the Cosmopolitan Shareholders” above; and

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- the potential positive financial effects of the Cosmopolitan Open Offer including the improvement in net tangible assets, liquidity and gearing ratio of the Cosmopolitan Group and the potential positive financial effects of the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds being the improvement in the liquidity and working capital of the Cosmopolitan Group immediately after the issuance,

we are of the view that the terms of the Cosmopolitan Open Offer, the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds are on normal commercial terms and fair and reasonable so far as the Cosmopolitan Independent Shareholders are concerned, and are in the interests of Cosmopolitan and the Cosmopolitan Shareholders as a whole. Accordingly, we recommend the Cosmopolitan Independent Shareholders, as well as the Cosmopolitan Independent Board Committee to advise the Cosmopolitan Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the Cosmopolitan EGM to approve the Cosmopolitan Open Offer, the issue of the Cosmopolitan Convertible Bonds and the possible issue of the Cosmopolitan Optional Convertible Bonds.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

PROPOSED COSMOPOLITAN OPEN OFFER

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

Issue statistics

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

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

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

Cosmopolitan Subscription Price

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

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

- (iii) a discount of approximately 83.9% to the average closing price of the Cosmopolitan Shares of HK\$0.622 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 63.0% to the theoretical ex-entitlement price of HK\$0.270 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 68.8% to the closing price of HK\$0.32 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 82.3% to the audited consolidated net assets of Cosmopolitan attributable to the Cosmopolitan Shareholders as at 31 December 2013 of approximately HK\$0.566 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) in issue as at the Latest Practicable Date.

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

Summary of the principal terms of the Cosmopolitan Convertible Preference Shares

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

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

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

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

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

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

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

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

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

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

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

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

Cosmopolitan Overseas Shareholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Application for listing

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

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

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

Conditions of the Cosmopolitan Open Offer

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

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

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

As at the Latest Practicable Date, none of the conditions above has been fulfilled and/or waived.

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

IRREVOCABLE UNDERTAKING

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

UNDERWRITING ARRANGEMENT

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

The Underwriting Agreement

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

Termination of the Underwriting Agreement

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

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

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

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

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

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

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

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

Information on the Underwriter

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

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

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

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

For the Cosmopolitan Convertible Bonds:

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

- (iv) a discount of approximately 43.7% to the average closing price of the Cosmopolitan Shares of HK\$0.622 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day;
- (v) a premium of approximately 29.6% over the theoretical ex-entitlement price of HK\$0.270 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) based on the closing price per Cosmopolitan Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a premium of approximately 9.4% over the closing price of HK\$0.32 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a discount of approximately 38.2% to the audited consolidated net assets of Cosmopolitan attributable to the Cosmopolitan Shareholders as at 31 December 2013 of approximately HK\$0.566 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) in issue as at the Latest Practicable Date.

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

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

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

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

For the Cosmopolitan Optional Convertible Bonds:

Maximum principal amount: HK\$500 million

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

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

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

- (vi) a premium of 25.0% over the closing price of HK\$0.32 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a discount of approximately 29.3% to the audited consolidated net assets of Cosmopolitan attributable to the Cosmopolitan Shareholders as at 31 December 2013 of approximately HK\$0.566 per Cosmopolitan Share (after adjusted for the Cosmopolitan Share Consolidation) in issue as at the Latest Practicable Date.

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

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

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

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

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

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

**Adjustments to the
Cosmopolitan Conversion
Prices:**

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

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

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

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

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

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

Application for listing

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

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

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

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

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

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

As at the Latest Practicable Date, none of the conditions above has been fulfilled and/or waived.

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

APPENDIX III

**OTHER INFORMATION RELATED TO THE PROPOSED
COSMOPOLITAN OPEN OFFER, THE PROPOSED ISSUE OF
THE COSMOPOLITAN CONVERTIBLE BONDS AND THE POSSIBLE
ISSUE OF THE COSMOPOLITAN OPTIONAL CONVERTIBLE BONDS**

(b) Assuming NO Cosmopolitan Shareholders (other than P&R Group) taking up their pro-rata Cosmopolitan Open Offer Entitlements

Set out below are the shareholding structure of Cosmopolitan as at the Latest Practicable Date and as a result of sequential completions of each of the following events: (i) the Cosmopolitan Share Consolidation; (ii) the Cosmopolitan Open Offer (assuming no Cosmopolitan Shareholders will take up their pro-rata Cosmopolitan Open Offer Entitlements other than P&R Group, but subject to Cosmopolitan meeting the minimum public float requirement under the Listing Rules (i.e. 25%) and the P&R Group will take up the Cosmopolitan Convertible Preference Shares for the remaining balances under the Cosmopolitan Open Offer); (iii) upon conversion of the Cosmopolitan Convertible Bonds in full; (iv) upon conversion of the Cosmopolitan Optional Convertible Bonds in full (assuming P&R Group has subscribed for the Cosmopolitan Optional Convertible Bonds in full); and (v) upon the conversion of the Cosmopolitan Convertible Preference Shares in full.

	As at the Latest Practicable Date				(i) Upon the Cosmopolitan Share Consolidation becoming effective				(ii) Upon closing of the Cosmopolitan Open Offer			
	No. of Cosmopolitan Shares (in million)	%	No. of Cosmopolitan Convertible Preference Shares (in million)	%	No. of Cosmopolitan Consolidated Shares (in million)	%	No. of Cosmopolitan Convertible Preference Shares (in million)	%	No. of Cosmopolitan Consolidated Shares (in million)	%	No. of Cosmopolitan Convertible Preference Shares (in million)	%
P&R Group	14,845.2	67.5%	—	—	1,484.5	67.5%	—	—	2,138.1	75.0%	3,744.0	100.0%
Cosmopolitan Directors	12.1	0.1%	—	—	1.2	0.1%	—	—	1.2	0.0%	—	—
Public shareholders	7,130.7	32.4%	—	—	713.1	32.4%	—	—	713.1	25.0%	—	—
Total	21,988.0	100.0%	—	—	2,198.8	100.0%	—	—	2,852.4	100.0%	3,744.0	100.0%

	(iii) Upon conversion of the Cosmopolitan Convertible Bonds in full (Note)				(iv) Upon conversion of the Cosmopolitan Optional Convertible Bonds in full (assuming P&R Group has subscribed for the Cosmopolitan Optional Convertible Bonds in full) (Note)				(v) Upon conversion of the Cosmopolitan Convertible Preference Shares in full (Note)			
	No. of Cosmopolitan Consolidated Shares (in million)	%	No. of Cosmopolitan Convertible Preference Shares (in million)	%	No. of Cosmopolitan Consolidated Shares (in million)	%	No. of Cosmopolitan Convertible Preference Shares (in million)	%	No. of Cosmopolitan Consolidated Shares (in million)	%	No. of Cosmopolitan Convertible Preference Shares (in million)	%
P&R Group	3,566.7	83.3%	3,744.0	100.0%	4,816.7	87.1%	3,744.0	100.0%	8,560.7	92.3%	—	—
Cosmopolitan Directors	1.2	0.0%	—	—	1.2	0.0%	—	—	1.2	0.0%	—	—
Public shareholders	713.1	16.7%	—	—	713.1	12.9%	—	—	713.1	7.7%	—	—
Total	4,281.0	100.0%	3,744.0	100.0%	5,531.0	100.0%	3,744.0	100.0%	9,275.0	100.0%	—	—

Note: The shareholding structures are for illustration purposes only as the exercises of the conversion rights attaching to the Cosmopolitan Convertible Bonds, the Cosmopolitan Optional Convertible Bonds and the Cosmopolitan Convertible Preference Shares are subject to Cosmopolitan meeting the minimum public float requirement under Rule 8.08 of the Listing Rules (i.e. 25%).

(A) AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COSMOPOLITAN GROUP FOR THE TWO YEARS ENDED 31 MARCH 2012 AND 2013 AND THE NINE MONTHS ENDED 31 DECEMBER 2013

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

(B) INDEBTEDNESS

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this statement of indebtedness, the Cosmopolitan Group had outstanding borrowings of approximately HK\$216.2 million which represented (i) bank loans of HK\$16.2 million, which are secured by the pledge of certain of the Cosmopolitan Group's time deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments of approximately HK\$35.1 million in aggregate; and (ii) an unsecured borrowing from a connected person of the Cosmopolitan Group of HK\$200.0 million. Except for a bank loan of HK\$12.2 million, all of the above outstanding borrowings were guaranteed by Cosmopolitan.

In addition, the Cosmopolitan Group had consideration payables and accrued interests thereon due to the connected parties of the Cosmopolitan Group of HK\$3,281.7 million in respect of the acquisition of property projects, which are secured by the pledge over the equity interests in the relevant holding companies of the Cosmopolitan Group's properties under development.

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

(C) WORKING CAPITAL

The Cosmopolitan Directors, after due and careful consideration, are of the opinion that after taking into account the internal resources, present banking facilities and the standby facility granted by the Paliburg Group to the Cosmopolitan Group available to the Cosmopolitan Group, the Cosmopolitan 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.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COSMOPOLITAN GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of the Cosmopolitan Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Cosmopolitan Open Offer on the unaudited consolidated net tangible assets of the Cosmopolitan Group as if the Cosmopolitan Open Offer had taken place on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Cosmopolitan Group has been prepared for illustrative purpose only, based on the judgments, estimates and assumptions of the Cosmopolitan Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Cosmopolitan Group had the Cosmopolitan Open Offer actually taken place on 31 December 2013 or any future date.

The Unaudited Pro Forma Financial Information of the Cosmopolitan Group is prepared based on the consolidated net tangible assets of the Cosmopolitan Group derived from the audited consolidated statement of financial position of the Cosmopolitan Group as at 31 December 2013, as extracted from the published annual report of Cosmopolitan for the nine-month period ended 31 December 2013 and is adjusted for the effect of the Cosmopolitan Open Offer.

			Unaudited pro forma adjusted consolidated net tangible assets attributable to the Cosmopolitan Shareholders as at 31 December 2013 <i>(Note 1)</i> <i>HK\$'000</i>	Consolidated net tangible assets attributable to the Cosmopolitan Shareholders as at 31 December 2013 <i>(Note 3)</i> <i>HK\$</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the Cosmopolitan Shareholders as at 31 December 2013 <i>(Note 4)</i> <i>HK\$</i>
	Estimated net proceeds from the Cosmopolitan Open Offer <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the Cosmopolitan Shareholders after the Cosmopolitan Open Offer <i>HK\$'000</i>	Consolidated net tangible assets attributable to the Cosmopolitan Shareholders as at 31 December 2013 <i>(Note 3)</i> <i>HK\$</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the Cosmopolitan Shareholders as at 31 December 2013 <i>(Note 4)</i> <i>HK\$</i>	

Based on the Cosmopolitan
Subscription Price of
HK\$0.10 per Cosmopolitan
Open Offer Share and/or
per Cosmopolitan
Convertible Preference
Share

1,379,018	436,260	1,815,278	0.63	0.28
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- (1) The consolidated net tangible assets attributable to the Cosmopolitan Shareholders as at 31 December 2013 is based on the consolidated net assets attributable to the Cosmopolitan Shareholders of approximately HK\$1,244,792,000 as at 31 December 2013 after deducting goodwill of approximately HK\$228,310,000 and excluding deferred tax liabilities of approximately HK\$362,536,000.
- (2) The estimated net proceeds from the Cosmopolitan Open Offer are approximately HK\$436,260,000 calculated based on 4,397,609,522 Cosmopolitan Open Offer Shares and/or the Cosmopolitan Convertible Preference Shares to be issued at the Cosmopolitan Subscription Price of HK\$0.10 per Cosmopolitan Open Offer Share and/or per Cosmopolitan Convertible Preference Share, and after the deduction of the estimated expenses of approximately HK\$3,500,000.
- (3) The calculation of the consolidated net tangible assets attributable to the Cosmopolitan Shareholders per Cosmopolitan Consolidated Share as at 31 December 2013 is based on the consolidated net tangible assets attributable to the Cosmopolitan Shareholders of approximately HK\$1,379,018,000 and 2,198,804,761 Cosmopolitan Consolidated Shares (assuming Cosmopolitan Share Consolidation became effective on 31 December 2013) were in issue as at 31 December 2013.
- (4) The calculation of the unaudited pro forma adjusted consolidated net tangible assets attributable to the Cosmopolitan Shareholders per Cosmopolitan Consolidated Share as at 31 December 2013 is based on the unaudited pro forma adjusted consolidated net tangible assets attributable to the Cosmopolitan Shareholders after the Cosmopolitan Open Offer of approximately HK\$1,815,278,000; and 6,596,414,283 Cosmopolitan Consolidated Shares were in issue immediately following completion of the Cosmopolitan Open Offer which comprise the 2,198,804,761 Cosmopolitan Consolidated Shares in issue as at 31 December 2013 (assuming Cosmopolitan Share Consolidation became effective on 31 December 2013) and the 4,397,609,522 Cosmopolitan Open Offer Shares to be issued to the Cosmopolitan Qualifying Shareholders on the basis of two Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares for every one Cosmopolitan Consolidated Share (assuming all Cosmopolitan Convertible Preference Shares, if issued, would be converted into Cosmopolitan Consolidated Shares on 31 December 2013).
- (5) Save as disclosed above, no adjustments had been made to reflect any trading results or other transactions of the Cosmopolitan Group entered into subsequent to 31 December 2013.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
COSMOPOLITAN GROUP**

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



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

20 June 2014

The Board of Directors
Cosmopolitan International Holdings Limited
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

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

Dear Sirs

We have completed our assurance engagement to report on the compilation of pro forma financial information of Cosmopolitan International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2013 and related notes as set out on pages V-1 and V-2 in Appendix V to the circular of the Company dated 20 June 2014 (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 in the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed open offer of new shares and/or convertible preference shares of the Company at subscription price of HK\$0.1 each, on the basis of two open offer shares and/or convertible preference shares for every consolidated share held (the “**Open Offer**”) as if the transaction had taken place at 31 December 2013. As part of this process, information about the Group’s net tangible assets has been derived by the Directors from the consolidated statement of financial position of the Group as at 31 December 2013, as extracted from the published annual report of the Company for the nine-month period ended 31 December 2013.

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**”).

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 accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to *AG7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

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

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Open Offer on unadjusted consolidated net tangible assets of the Group as if the transaction 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 transaction 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 transaction, 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.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

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

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

Opinion

In our opinion:

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Cosmopolitan 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 Cosmopolitan. The Cosmopolitan 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 contained in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of Cosmopolitan (i) as at the Latest Practicable Date; (ii) immediately upon the Cosmopolitan Share Consolidation becoming effective; (iii) immediately upon closing of the Cosmopolitan Open Offer; (iv) immediately upon conversion of the Cosmopolitan Convertible Bonds in full; and (v) immediately upon conversion of the Cosmopolitan Optional Convertible Bonds in full.

(i) As at the Latest Practicable Date

Authorised capital: *HK\$*

<u>1,250,000,000,000</u>	Cosmopolitan Shares of HK\$0.0002 each	<u>HK\$250,000,000.000</u>
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Issued and fully paid:

<u>21,988,047,615</u>	Cosmopolitan Shares of HK\$0.0002 each as at the Latest Practicable Date	<u>HK\$4,397,609.523</u>
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(ii) Immediately upon the Cosmopolitan Share Consolidation becoming effective

Authorised capital: *HK\$*

<u>125,000,000,000</u>	Cosmopolitan Consolidated Shares and/or Cosmopolitan Convertible Preference Shares of HK\$0.002 each	<u>HK\$250,000,000.000</u>
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Issued and fully paid:

<u>2,198,804,761</u>	Cosmopolitan Consolidated Shares of HK\$0.002 each	<u>HK\$4,397,609.522</u>
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(iii) **Immediately upon closing of the Cosmopolitan Open Offer**

Authorised capital: *HK\$*

<u>125,000,000,000</u>	Cosmopolitan Consolidated Shares and/or Cosmopolitan Convertible Preference Shares of HK\$0.002 each	<u>HK\$250,000,000.000</u>
------------------------	------------------------------------------------------------------------------------------------------------	----------------------------

Issued and fully paid:

2,198,804,761	Cosmopolitan Consolidated Shares of HK\$0.002 each	HK\$4,397,609.522
4,397,609,522	Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares to be issued under the Cosmopolitan Open Offer	HK\$8,795,219.044
<u>6,596,414,283</u>		<u>HK\$13,192,828.566</u>

(iv) **Immediately upon conversion of the Cosmopolitan Convertible Bonds in full**

Authorised capital: *HK\$*

<u>125,000,000,000</u>	Cosmopolitan Consolidated Shares and/or Cosmopolitan Convertible Preference Shares of HK\$0.002 each	<u>HK\$250,000,000.000</u>
------------------------	------------------------------------------------------------------------------------------------------------	----------------------------

Issued and fully paid:

2,198,804,761	Cosmopolitan Consolidated Shares of HK\$0.002 each	HK\$4,397,609.522
4,397,609,522	Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares to be issued under the Cosmopolitan Open Offer	HK\$8,795,219.044
1,428,571,428	Cosmopolitan Conversion Shares to be allotted and issued upon full exercise of the conversion rights of the Cosmopolitan Convertible Bonds	HK\$2,857,142.856
<u>8,024,985,711</u>		<u>HK\$16,049,971.422</u>

(v) **Immediately upon conversion of the Cosmopolitan Optional Convertible Bonds in full**

Authorised capital: *HK\$*

<u>125,000,000,000</u>	Cosmopolitan Consolidated Shares and/or Cosmopolitan Convertible Preference Shares of HK\$0.002 each	<u>HK\$250,000,000.000</u>
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Issued and fully paid:

2,198,804,761	Cosmopolitan Consolidated Shares of HK\$0.002 each	HK\$4,397,609.522
4,397,609,522	Cosmopolitan Open Offer Shares and/or Cosmopolitan Convertible Preference Shares to be issued under the Cosmopolitan Open Offer	HK\$8,795,219.044
1,428,571,428	Cosmopolitan Conversion Shares to be allotted and issued upon full exercise of the conversion rights of the Cosmopolitan Convertible Bonds	HK\$2,857,142.856
1,250,000,000	Cosmopolitan Optional Conversion Shares to be allotted and issued upon full exercise of the conversion rights of the Cosmopolitan Option Convertible Bonds	HK\$2,500,000.000
<u>9,274,985,711</u>		<u>HK\$18,549,971.422</u>

All the Cosmopolitan Consolidated Shares will rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Cosmopolitan Open Offer Shares, the Cosmopolitan Converted Shares, the Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the Cosmopolitan Consolidated Shares.

As at the Latest Practicable Date, there are no outstanding debt securities convertible or exchangeable into the Cosmopolitan Shares.

The existing Cosmopolitan Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of Cosmopolitan is listed or dealt in on any stock exchange other than the Stock Exchange, and no application is being made or is currently proposed or sought for the shares or any other securities of Cosmopolitan to be listed or dealt in on any other stock exchange. The Cosmopolitan Convertible Preference Shares to be issued will not be listed on the Stock Exchange or any other stock exchange.

3. DISCLOSURE OF INTERESTS

(A) Cosmopolitan Directors' interests

As at the Latest Practicable Date, the interests and short positions of the Cosmopolitan Directors and chief executive of Cosmopolitan in the shares, underlying shares and debentures of Cosmopolitan or any associated corporation (within the meaning of Part XV of the SFO) of Cosmopolitan, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to Cosmopolitan and the Stock Exchange pursuant to the Model Code for Securities Transactions by Cosmopolitan Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules, were as follows:

Cosmopolitan/ Name of associated corporation	Name of Cosmopolitan Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/ Other interests	
1. Cosmopolitan	Mr. Lo Yuk Sui	Ordinary (i) (issued)	—	14,845,167,190 <i>(Note e)</i>	—	14,845,167,190
		(ii) (unissued)	—	70,761,809,500 <i>(Note f)</i>	—	70,761,809,500
						Total: 85,606,976,690 (389.33%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	7,500,000	—	—	7,500,000 (0.03%)
	Miss Lo Po Man	Ordinary (issued)	4,600,000	—	—	4,600,000 (0.02%)
2. Century City	Mr. Lo Yuk Sui	Ordinary (issued)	100,587,396	1,769,164,691 <i>(Note a)</i>	380,683	1,870,132,770 (58.25%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)
	Miss Lo Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.003%)
	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	—	—	4,000 (0.000%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)
3. Paliburg	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,376,803 <i>(Note b)</i>	15,000	830,469,817 (74.48%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)

	Cosmopolitan/ Name of associated corporation	Name of Cosmopolitan 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	
3.	Paliburg	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. Kelvin Leung So Po	Ordinary (issued)	390,185	—	—	390,185 (0.03%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	—	—	6,200 (0.001%)
4.	Regal	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	575,449,261 <i>(Note c)</i>	260,700	575,734,161 (61.69%)
		Miss Lo Po Man	Ordinary (issued)	300,000	—	269,169 <i>(Note d)</i>	569,169 (0.06%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	—	—	200 (0.000%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)
5.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	—	2,443,033,102 <i>(Note g)</i>	—	2,443,033,102 (75.00%)

Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of Century City were held through companies wholly owned by Mr. Lo Yuk Sui (“**Mr. Lo**”) and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (b) The interests in 693,640,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 58.24% shareholding interests as at the Latest Practicable Date.

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

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

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

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

- (c) The interests in 421,400 issued ordinary shares of Regal were held through companies wholly owned by Century City, in which Mr. Lo held 58.24% shareholding interests as at the Latest Practicable Date, and the interests in the other 575,027,861 issued ordinary shares of Regal were held through companies wholly owned by Paliburg, in which Century City held 62.21% shareholding interests as at the Latest Practicable Date.
- (d) The interests in 269,169 issued ordinary shares of Regal were held by Miss Lo Po Man as the beneficiary of a trust.
- (e) The interests in 14,845,167,190 issued ordinary shares of Cosmopolitan were held through wholly-owned subsidiaries of P&R, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries. Paliburg, in which Century City held approximately 62.21% shareholding interests as at the Latest Practicable Date, held approximately 61.61% shareholding interests in Regal as at the Latest Practicable Date. Mr. Lo held approximately 58.24% shareholding interests in Century City as at the Latest Practicable Date.
- (f) (i) The derivative interests in Cosmopolitan Consolidated Shares (information disclosed above in respect of 43,976,095,220 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Cosmopolitan Share Consolidation becoming effective) were acquired on 30 April 2014 through the provision of the Irrevocable Undertaking by P&R and the entering into of the Underwriting Agreement by P&R Strategic Limited as the Underwriter in connection with the Cosmopolitan Open Offer.
- (ii) The derivative interests in Cosmopolitan Consolidated Shares (information disclosed above in respect of 26,785,714,280 Cosmopolitan Shares was based on 10 Cosmopolitan Shares equal to 1 Cosmopolitan Consolidated Share before the Cosmopolitan Share Consolidation becoming effective) were acquired on 30 April 2014 through the entering into of the Cosmopolitan Convertible Bonds Subscription Agreement by P&R in connection with the issue by a wholly-owned subsidiary of Cosmopolitan of the Cosmopolitan Convertible Bonds with a principal amount of HK\$500 million and the Cosmopolitan Optional Convertible Bonds with a principal amount of HK\$500 million. The Cosmopolitan Convertible Bonds will be convertible into Cosmopolitan Conversion Shares at the Cosmopolitan CB Conversion Price (HK\$0.35 per Cosmopolitan Conversion Share) (subject to adjustment). The Cosmopolitan Optional Convertible Bonds will be convertible into Cosmopolitan Optional Conversion Shares at the Cosmopolitan Optional CB Conversion Price (HK\$0.40 per Cosmopolitan Optional Conversion Share) (subject to adjustment).
- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly-owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly-owned subsidiaries of Regal. The interests in 732,363 issued units of Regal REIT were held through wholly-owned subsidiaries of Paliburg. The interests in 2,687,000 issued units of Regal REIT were held through wholly-owned subsidiaries of Century City. Cosmopolitan were held as to approximately 67.51% shareholding interests by P&R, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. Paliburg, in which Century City held approximately 62.21% shareholding interests as at the Latest Practicable Date, held approximately 61.61% shareholding interests in Regal as at the Latest Practicable Date. Mr. Lo held approximately 58.24% shareholding interests in Century City as at the Latest Practicable Date.

As at the Latest Practicable Date, save for the above, none of the Cosmopolitan Directors or chief executive of Cosmopolitan had any interests or short positions in the shares, underlying shares or debentures of Cosmopolitan or any of its associated corporations (within the meaning of Part XV of

the SFO which were required to be notified to Cosmopolitan and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to Cosmopolitan and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Cosmopolitan Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Cosmopolitan Group since 31 December 2013, being the date to which the latest published audited accounts of the Cosmopolitan Group were made up.

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

(B) Substantial shareholders' interests

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

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held (unissued)	Total number of ordinary shares (issued and underlying (unissued)) held	Approximate percentage of issued ordinary shares as at the Latest Practicable Date
Century City <i>(Note i)</i>	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Century City BVI Holdings Limited ("CCBVI") <i>(Note ii)</i>	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Paliburg <i>(Note iii)</i>	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Paliburg Development BVI Holdings Limited <i>(Note iv)</i>	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Capital Merit Investments Limited <i>(Note iv)</i>	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Regal <i>(Note v)</i>	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
Regal International (BVI) Holdings Limited <i>(Note vi)</i>	14,845,167,190	70,761,809,500	85,606,976,690	389.33%

APPENDIX VI
GENERAL INFORMATION

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
Regal Hotels Investments Limited (<i>Note vi</i>)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
P&R (<i>Note vii</i>)	14,845,167,190	70,761,809,500	85,606,976,690	389.33%
P&R Strategic Limited (<i>Note viii</i>)	507,770	14,286,776,440	14,287,284,210	64.98%
Valuegood International Limited (<i>Note viii</i>)	3,536,250,000	7,072,500,000	10,608,750,000	48.25%
Lendas Investments Limited	2,941,076,090	5,882,152,180	8,823,228,270	40.13%
Jumbo Pearl Investments Limited (<i>Note viii</i>)	1,666,666,666	3,333,333,320	4,999,999,986	22.74%
Sun Joyous Investments Limited (<i>Note viii</i>)	1,666,666,666	3,333,333,320	4,999,999,986	22.74%
Time Crest Investments Limited (<i>Note viii</i>)	1,666,666,666	3,333,333,320	4,999,999,986	22.74%
Well Mount Investments Limited (<i>Note viii</i>)	1,666,666,666	3,333,333,320	4,999,999,986	22.74%
Winart Investments Limited (<i>Note viii</i>)	900,000,000	1,800,000,000	2,700,000,000	12.28%
Space Capital Investments Limited (<i>Note ix</i>)	2,112,500,000	—	2,112,500,000	9.61%
Giant Sino Group Limited (<i>Note ix</i>)	2,112,500,000	—	2,112,500,000	9.61%
Culture Landmark Investment Limited (<i>Note x</i>)	1,446,064,745	—	1,446,064,745	6.58%
New Asia Media Development Limited (<i>Note x</i>)	1,446,064,745	—	1,446,064,745	6.58%
Great Select Holdings Limited (<i>Note viii</i>)	466,666,666	933,333,320	1,399,999,986	6.37%

Notes:

- (i) The interests in the ordinary shares of Cosmopolitan held by Century City were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of Cosmopolitan as disclosed under the section headed “Cosmopolitan Directors’ interests” above.
- (ii) CCBVI is a wholly owned subsidiary of Century City and its interests in the ordinary shares of Cosmopolitan were included in the interests held by Century City.

- (iii) Paliburg is a listed subsidiary of Century City, which held 62.21% shareholding interests in Paliburg as at the Latest Practicable Date, and Paliburg's interests in the ordinary shares of Cosmopolitan were included in the interests held by Century City.
- (iv) These companies are wholly owned subsidiaries of Paliburg and their interests in the ordinary shares of Cosmopolitan were included in the interests held by Paliburg.
- (v) Regal is a listed subsidiary of Paliburg, which held 61.61% shareholding interests in Regal as at the Latest Practicable Date, and Regal's interests in the ordinary shares of Cosmopolitan were included in the interests held by Paliburg.
- (vi) These companies are wholly owned subsidiaries of Regal and their interests in the ordinary shares of Cosmopolitan were included in the interests held by Regal.
- (vii) P&R is owned as to 50% each by Paliburg and Regal, through their respective wholly owned subsidiaries, and P&R's interests in the ordinary shares of Cosmopolitan were included in the interests held by Paliburg and Regal.
- (viii) These companies are wholly owned subsidiaries of P&R and their interests in the ordinary shares of Cosmopolitan were included in the interests held by P&R.
- (ix) Giant Sino Group Limited is a wholly-owned subsidiary of Space Capital Investments Limited, which in turn is owned as to 28% by Mr. Daniel Bong Shu Yin (an Executive Cosmopolitan Director).
- (x) New Asia Media Development Limited is a wholly-owned subsidiary of Culture Landmark Investment Limited, a company listed on the Stock Exchange.

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

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

- (1) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kelvin Leung So Po and Mr. Kenneth Ng Kwai Kai are directors of Century City and CCBVI.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man, Mr. Kenneth Ng Kwai Kai and Hon. Abraham SHEK Lai Him, GBS, JP are directors of Paliburg.
- (3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly-owned subsidiaries of Paliburg which are substantial shareholders as named above, P&R and the wholly owned subsidiaries of P&R which are substantial shareholders as named above.

- (4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Ms. Alice Kan Lai Kuen and Mr. Kenneth Ng Kwai Kai are directors of Regal.
- (5) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly-owned subsidiaries of Regal which are substantial shareholders as named above.

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to any Cosmopolitan Directors or chief executive of Cosmopolitan, no other Cosmopolitan Directors was a director or employee of a company which had an interest or short position in the Cosmopolitan Shares and underlying shares which would fall to be disclosed to Cosmopolitan under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Cosmopolitan Group.

4. SERVICE CONTRACTS

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

5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Cosmopolitan Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim known to the Cosmopolitan Directors to be pending or threatened against any members of the Cosmopolitan Group which in the opinion of the Cosmopolitan Directors would be or is likely to be of material importance.

6. COMPETING INTERESTS

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

7. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given, or agreed to inclusion of, their respective opinion or advice in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Goldin	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO

Each of Ernst & Young and Goldin has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear. The letters of Ernst & Young and Goldin are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, none of the above experts had any interest in the share capital of any member of the Cosmopolitan Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Cosmopolitan Group, and none of the above experts had any interest, either directly or indirectly, in any assets which have been, since 31 December 2013, the date to which the latest published audited financial statements of the Cosmopolitan Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Cosmopolitan Group.

8. MATERIAL CONTRACTS

- (a) The deed of variation dated 16 November 2012 (as supplemented by a supplemental deed dated 12 December 2012) entered into between Fancy Gold Limited (“**Fancy Gold**”), Cosmopolitan and Valuegood International Limited (“**Valuegood**”) to extend the then maturity date of zero coupon guaranteed convertible bonds due on 30 September 2013 (as further extended) issued by Fancy Gold in 2007 and held by Valuegood in the principal amount of HK\$141.45 million (the “**CB2010**”) to 30 September 2013 (and the then expiry date of the conversion period of the CB2010 to 16 September 2013) and to disallow conversion of the then CB2010 if as a result of the conversion, Cosmopolitan will not be able to meet the public float requirement under the Listing Rules.
- (b) The deed of variation dated 16 November 2012 entered into between Apex Team Limited (“**Apex Team**”), Cosmopolitan and Jumbo Pearl Investments Limited (“**Jumbo Pearl**”) to extend the maturity date of zero coupon guaranteed convertible bonds due on 30 September 2013 (as extended) issued by Apex Team in 2008 to Jumbo Pearl in the principal amount of HK\$100 million (the “**CB2013(A)**”) to 30 September 2013 (and the then expiry date of the conversion period of the CB2013(A) to 16 September 2013).
- (c) The deed of variation dated 16 November 2012 entered into between Apex Team, Cosmopolitan and Time Crest Investments Limited (“**Time Crest**”) to extend the then maturity date of zero coupon guaranteed convertible bonds due on 30 September 2013 (as extended) issued by Apex Team in 2008 to Time Crest in the principal amount of HK\$100 million (the “**CB2013(B)**”) to 30 September 2013 (and the then expiry date of the conversion period of the CB2013(B) to 16 September 2013).
- (d) The supplemental agreement dated 16 November 2012 entered into between Apex Team, Cosmopolitan, Sun Joyous Investments Limited (“**Sun Joyous**”) and Jumbo Pearl to extend the expiry date of an option (being part of options granted by the Cosmopolitan Group to each of the Paliburg Group and the Regal Group to subscribe for zero coupon guaranteed convertible bonds due on 30 September 2013 issued by Apex Team in 2013 to Sun Joyous in the principal amount of HK\$100 million and zero coupon guaranteed convertible bonds due on 30 September 2013 issued by Apex Team in 2013 to Well Mount Investments

Limited (“**Well Mount**”) in the principal amount of HK\$100 million which were exercised on 2 July 2013 (the “**Options**”) granted by Apex Team to Sun Joyous to subscribe for the zero coupon guaranteed convertible bonds issued by Apex Team with a principal amount of up to HK\$100 million to 2 July 2013 and to amend the maturity date of such convertible bonds to 30 September 2013.

- (e) The supplemental agreement dated 16 November 2012 entered into between Apex Team, Cosmopolitan, Well Mount and Time Crest to extend the expiry date of the option (being part of the Options) granted by Apex Team to Well Mount to subscribe for the zero coupon guaranteed convertible bonds issued by Apex Team with a principal amount of up to HK\$100 million to 2 July 2013 and to amend the maturity date of such convertible bonds to 30 September 2013.
- (f) The Underwriting Agreement.
- (g) The Cosmopolitan Convertible Bonds Subscription Agreement.
- (h) The Irrevocable Undertaking.

Save for the above, there are no material contracts (not being a contract in the ordinary course of business) entered into by any members of the Cosmopolitan Group within the two years preceding the date of this circular.

9. MATERIAL ADVERSE CHANGE

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

10. GENERAL

- (i) The company secretary of Cosmopolitan is Ms. Eliza Lam Sau Fun, who is an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (ii) The English text of this circular shall prevail over its Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Cosmopolitan at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the Cosmopolitan EGM:

- (a) the Cosmopolitan Articles of Association;
- (b) the material contracts referred to in the section headed “Material Contracts” of this appendix;
- (c) the annual reports of Cosmopolitan for the two years ended 31 March 2013 and nine months ended 31 December 2013;
- (d) the report on unaudited pro forma financial information of the Cosmopolitan Group from Ernst & Young, the text of which is set out in Appendix V of this circular;
- (e) Goldin’s letter of advice dated 20 June 2014, the text of which is set out in pages 29 to 64 of this circular;
- (f) the written consents referred to in the section headed “Qualification and consent of experts” of this appendix; and
- (g) this circular.

12. CORPORATE INFORMATION AND PARTIES INVOLVED

Registered office	P.O. Box 309 George Town Grand Cayman Cayman Islands British West Indies
Head office and principal place of business in Hong Kong and office address of all Cosmopolitan Directors and senior management	11th Floor 68 Yee Wo Street Causeway Bay Hong Kong
Authorised representatives	Mr. Kelvin LEUNG So Po Ms. Eliza LAM Sau Fun
Executive Cosmopolitan Directors	Mr. LO Yuk Sui (<i>Chairman and Chief Executive Officer</i>) Mr. Jimmy LO Chun To (<i>Vice Chairman and Managing Director</i>) Miss LO Po Man (<i>Vice Chairman</i>) Mr. Kenneth WONG Po Man (<i>Chief Operating Officer</i>) Mr. Kelvin LEUNG So Po (<i>Chief Financial Officer</i>) Mr. Daniel BONG Shu Yin Mr. Kenneth NG Kwai Kai
Non-executive Cosmopolitan Director	Mr. Francis BONG Shu Ying
Independent non-executive Cosmopolitan Directors	Ms. Judy CHEN Qing Ms. Alice KAN Lai Kuen Mr. LEE Choy Sang Mr. David LI Ka Fai Hon. Abraham SHEK Lai Him, GBS, JP
Company secretary	Ms. Eliza LAM Sau Fun 11th Floor 68 Yee Wo Street Causeway Bay Hong Kong
Share registrar in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

Principal bankers	Bank of Communications Co., Ltd., Hong Kong Branch Industrial and Commercial Bank of China (Asia) Limited Deutsche Bank A.G. Standard Chartered Bank (Hong Kong) Limited The Bank of East Asia, Limited Australia and New Zealand Banking Group Limited
Legal advisers as to Hong Kong Laws (in relation to the Cosmopolitan Open Offer)	Iu, Lai & Li Solicitors Rooms 2201, 2201A & 2202 22nd Floor, Tower 1, Admiralty Centre No. 18 Harcourt Road Hong Kong
Underwriter	P&R Strategic Limited 11th Floor 68 Yee Wo Street Causeway Bay Hong Kong
Financial adviser	Somerley Capital Limited 20th Floor China Building 29 Queen's Road Central Hong Kong
Independent financial adviser	Goldin Financial Limited 23rd Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
Auditors and reporting accountants	Ernst & Young Certified Public Accountants 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong

13. COSMOPOLITAN DIRECTORS' PROFILE

Mr. Lo Yuk Sui, aged 69; Chairman and Chief Executive Officer — Appointed to the Cosmopolitan Board as an Executive Cosmopolitan Director in December 2013. Mr. Lo also acts as the Chairman and the Chief Executive Officer of Cosmopolitan since December 2013. Mr. Lo has been the managing director and chairman of the respective predecessor listed companies of Century City (the ultimate listed holding company of Cosmopolitan), Paliburg (the immediate listed holding company of Cosmopolitan) and Regal (a listed subsidiary of Century City and Paliburg and of which Cosmopolitan is a listed associate) since 1980s. He is also an executive director, the chairman and the chief executive officer of Century City, Paliburg and Regal and a non-executive director and the chairman of Regal Portfolio Management Limited (“**RPML**”), the manager of Regal Real Estate Investment Trust (the listed subsidiary of Regal). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Cosmopolitan Group. Save as disclosed herein, Mr. Lo has not held any directorships in other listed public companies during the last three years.

Mr. Lo is the father of Mr. Jimmy Lo Chun To, an Executive Cosmopolitan Director and a Vice Chairman and the Managing Director of Cosmopolitan, and Miss Lo Po Man, an Executive Cosmopolitan Director and a Vice Chairman of Cosmopolitan. Save as disclosed herein, Mr. Lo does not have any other relationships with any Cosmopolitan Directors, senior management, or substantial or controlling shareholders of Cosmopolitan.

Mr. Jimmy Lo Chun To, aged 40; Vice Chairman and Managing Director — Appointed to the Cosmopolitan Board as an Executive Cosmopolitan Director in December 2013. Mr. Jimmy Lo also acts as a Vice Chairman and the Managing Director of Cosmopolitan since December 2013. He is also an executive director and a vice chairman of Century City, an executive director, a vice chairman and the managing director of Paliburg, an executive director of Regal and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, with a Degree in Architecture. He joined the Century City Group (for this appendix, comprising Century City and its subsidiaries) in 1998. Mr. Jimmy Lo is primarily involved in overseeing the property projects of the Paliburg Group (for this appendix, comprising Paliburg and its subsidiaries) in the PRC (which are now owned by the Cosmopolitan Group) and, in addition, undertakes responsibilities in the business development of the Century City Group. Save as disclosed herein, Mr. Jimmy Lo has not held any directorships in other listed public companies during the last three years.

Mr. Jimmy Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man. Save as disclosed herein, Mr. Jimmy Lo does not have any other relationships with any Cosmopolitan Directors, senior management, or substantial or controlling shareholders of Cosmopolitan.

Miss Lo Po Man, aged 34; Vice Chairman and Executive Cosmopolitan Director — Appointed to the Cosmopolitan Board as an Executive Cosmopolitan Director in December 2013. Miss Lo also acts as a Vice Chairman of Cosmopolitan since December 2013. She is also an executive director and a vice chairman of Century City, an executive director of Paliburg, an executive director, a vice chairman and the managing director of Regal, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with

a Bachelor's Degree in Psychology. Miss Lo joined the Regal Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the Regal Group and also undertakes responsibilities in the business development of the Century City Group. Save as disclosed herein, Miss Lo has not held any directorships in other listed public companies during the last three years.

Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To. Save as disclosed herein, Miss Lo does not have any other relationships with any Cosmopolitan Directors, senior management, or substantial or controlling shareholders of Cosmopolitan.

Mr. Kenneth Wong Po Man, aged 48; Executive Cosmopolitan Director and Chief Operating Officer — Appointed to the Cosmopolitan Board in 2010 as a Non-Executive Cosmopolitan Director until re-designated as an Executive Cosmopolitan Director and the Chief Operating Officer in December 2013. Mr. Wong is a qualified architect. He graduated from the University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from the University of Hong Kong. Mr. Wong has over 20 years of experience in architectural design and project management in respect of property management projects. Mr. Wong is also an executive director of Paliburg and a technical director of an engineering company which is registered under the Buildings Ordinance of Hong Kong. Save as disclosed herein, Mr. Wong has not held any directorships in other listed public companies during the last three years.

Mr. Kelvin Leung So Po, aged 41; Executive Cosmopolitan Director and Chief Financial Officer — Appointed to the Cosmopolitan Board in 2008 as a Non-Executive Cosmopolitan Director until re-designated as an Executive Cosmopolitan Director and the Chief Financial Officer in December 2013. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. He has over 18 years of experience in accounting and corporate finance field. Mr. Leung is also an executive director of Century City. He has been with the Century City Group for over 16 years and is involved in the corporate finance function as well as in the China business division of the Century City Group. He also acted as an executive director of KH Investment Holdings Limited (now known as China Media and Films Holdings Limited) ("**KH Investment**"), a company listed on the Growth Enterprise Market of the Stock Exchange, since mid September 2011 (when KH Investment was a listed subsidiary of Century City) until he resigned from such position in early March 2012. Save as disclosed herein, Mr. Leung has not held any directorships in other listed public companies during the last three years.

Mr. Daniel Bong Shu Yin, aged 75; Executive Cosmopolitan Director — Appointed to the Cosmopolitan Board in 2006. Mr. Daniel Bong had also acted as the Chairman of Cosmopolitan since 2006 until his resigning from this role when the Cosmopolitan Board was reconstituted in December 2013. He is a qualified architect and has extensive experience in the property and hotel fields, both in Hong Kong and overseas. Mr. Daniel Bong had been involved in the management of several public listed companies in Hong Kong for over 10 years, including Century City and Paliburg. Mr. Daniel Bong was the deputy chairman and an executive director of Regal until 1999 when he resigned to pursue his personal interests and investments. Mr. Daniel Bong has not held any directorships in other listed public companies during the last three years.

Mr. Daniel Bong is the brother of Mr. Francis Bong Shu Ying, a Non-Executive Cosmopolitan Director. Save as disclosed herein, Mr. Daniel Bong does not have any other relationships with any Cosmopolitan Directors, senior management, or substantial or controlling shareholders of Cosmopolitan.

Mr. Kenneth Ng Kwai Kai, aged 59; Executive Cosmopolitan Director — Appointed to the Cosmopolitan Board in 2008 as a Non-Executive Cosmopolitan Director until re-designated as an Executive Cosmopolitan Director in December 2013. Mr. Ng is a Chartered Secretary. He is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is also an executive director and the chief operating officer of Century City, an executive director of Paliburg and Regal, and a non-executive director of RPML. He also acted as an executive director of KH Investment since mid September 2011 (when KH Investment was a listed subsidiary of Century City) until he resigned from such position in early March 2012. Save as disclosed herein, Mr. Ng has not held any directorships in other listed public companies during the last three years.

Mr. Francis Bong Shu Ying, OBE, JP, aged 72; Non-Executive Cosmopolitan Director — Appointed to the Cosmopolitan Board in 2006. Mr. Francis Bong was a director of AECOM Technology Corporation, a company incorporated in the United States and listed on the New York Stock Exchange, until he recently retired from it. Mr. Francis Bong holds a Bachelor's Degree of Science in Engineering from the University of Hong Kong and is currently the chairman of the Hong Kong University Engineering Advisory Committee. He is a former president of the Hong Kong Institution of Engineers, a former president of the Hong Kong Academy of Engineering Sciences and a fellow member of the Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom. Mr. Francis Bong is also an independent non-executive director of China Merchants Holdings (International) Company Limited, a company listed on the main board of the Stock Exchange. Save as disclosed herein, Mr. Francis Bong has not held any directorships in other listed public companies during the last three years.

Mr. Francis Bong is the brother of Mr. Daniel Bong Shu Yin. Save as disclosed herein, Mr. Francis Bong does not have any relationships with any Cosmopolitan Directors, senior management, or substantial or controlling shareholders of Cosmopolitan.

Ms. Judy Chen Qing, aged 43; Independent Non-Executive Cosmopolitan Director — Invited to the Cosmopolitan Board as an Independent Non-Executive Cosmopolitan Director in December 2013. Ms. Chen serves as the chairman of the Hong Kong Committee for United Nations Children's Fund ("UNICEF HK") and the foundation chair of Ocean Park Conservation Foundation Hong Kong ("OPCF HK"). She received her higher education from China and the United States — Beijing University of Aeronautics & Astronautics; Menlo College and Harvard Business School. She has also been appointed by the Under-Secretary-General of the United Nations to serve as Standing Member of the Development Cooperation Forum. Before joining UNICEF HK and OPCF HK, Ms. Chen held senior positions in multinational companies. Besides chairing the UNICEF HK and OPCF HK, Ms. Chen is also actively working in the social service areas in Mainland China and Hong Kong. Ms. Chen has not held any directorships in other listed public companies during the last three years.

Ms. Alice Kan Lai Kuen, aged 59; Independent Non-Executive Cosmopolitan Director — Invited to the Cosmopolitan Board as an Independent Non-Executive Cosmopolitan Director in

December 2013. She is also an independent non-executive director of Regal. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed investment adviser under the SFO and a responsible officer of Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Energine International (Holdings) Limited, Shimao Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited. Ms. Kan also acted as an independent non-executive director of G-Vision International (Holdings) Limited and Sunway International Holdings Limited, which are companies listed on the Stock Exchange, during the past three years. Save as disclosed herein, Ms. Kan has not held any directorships in other listed public companies during the last three years.

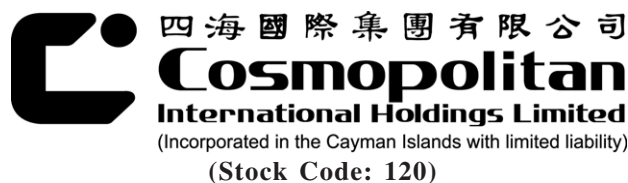
Mr. Lee Choy Sang, aged 77; Independent Non-Executive Cosmopolitan Director — Invited to the Cosmopolitan Board as an Independent Non-Executive Cosmopolitan Director in 2006. Mr. Lee has been involved in the construction industry for over 40 years. He obtained his Bachelor of Architecture Degree in the University of Hong Kong. Mr. Lee was a member of the Royal Institute of British Architects, the Royal Australian Institute of Architects and the Hong Kong Institute of Architects. He was also a registered architect in Hong Kong. He is a member of the Hong Kong Housing Society. Mr. Lee is currently a director of Silver Force (Consultants) Limited and Brilliant Force International China Heating Supply Holdings Company Limited, and is in charge of various projects in respect of the provision of services relating to energy supply and management in different regions, including Hong Kong and the PRC. Mr. Lee has not held any directorships in other listed public companies during the last three years.

Mr. David Li Ka Fai, aged 59; Independent Non-Executive Cosmopolitan Director — Invited to the Cosmopolitan Board as an Independent Non-Executive Cosmopolitan Director in 2006. Mr. Li is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, UK as well as The Institute of Chartered Secretaries and Administrators, UK and an associate member of The Institute of Chartered Accountants in England and Wales. He is an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of Goldlion Holdings Limited, an independent non-executive director and the chairman of the audit committee of China-Hongkong Photo Products Holdings Limited, an independent non-executive director, a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of China

Merchants Holdings (International) Company Limited and an independent non-executive director, a member of the audit committee and the remuneration committee of AVIC International Holding (HK) Limited, and an independent non-executive director and the chairman of the audit committee of Shanghai Industrial Urban Development Group Limited, all of which companies are listed on the main board of the Stock Exchange. Save as disclosed herein, Mr. Li has not held any directorships in other listed public companies during the last three years.

Hon Abraham Shek Lai Him, GBS, JP, aged 68; Independent Non-Executive Cosmopolitan Director — Invited to the Cosmopolitan Board as Independent Non-Executive Cosmopolitan Director in December 2013. He is also an independent non-executive director of Paliburg and RPML. Mr. Shek holds a Bachelor's Degree of Arts. He is currently a member of the Legislative Council of Hong Kong. He is also a member of the Court of The Hong Kong University of Science and Technology, member of both of the Court and the Council of The University of Hong Kong, director of The Hong Kong Mortgage Corporation Limited and vice chairman of Independent Police Complaints Council. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange). He also acted as an independent non-executive director and a member of the audit committee of Titan Petrochemicals Group Limited and an independent non-executive director of Hsin Chong Construction Group Ltd., which are companies listed on the Stock Exchange, during the past three years. Save as disclosed herein, Mr. Shek has not held any directorships in other listed public companies during the last three years.

NOTICE OF THE COSMOPOLITAN EGM



NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Cosmopolitan International Holdings Limited (“**Company**”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 14 July 2014 at 11:15 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions, of which resolution numbered 2 will be proposed as a special resolution and resolutions numbered 1, 3 and 4 will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTION 1

“**THAT:**

- (a) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the listing of, and permission to deal in, the Consolidated Shares (as defined below in this paragraph), every ten (10) issued and unissued ordinary shares with a par value of HK\$0.0002 each (“**Existing Shares**”) in the share capital of the Company shall, with effect from the Effective Date (as defined in paragraph (d) of this resolution), be consolidated into one (1) ordinary share with a par value of HK\$0.002 (a “**Consolidated Share**”) in the share capital of the Company;
- (b) all of the Consolidated Shares resulting from the consolidation of the ordinary shares in the share capital of the Company as stipulated in paragraph (a) of this resolution (“**Share Consolidation**”) shall, when allotted, issued and fully paid, rank pari passu in all respects with each other in accordance with the Articles of Association of the Company;
- (c) the directors of the Company (“**Directors**”) be and are authorised generally to sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect the Share Consolidation, including the aggregation of all the fractional entitlements that may arise from the Share Consolidation and sale (if a premium, net of expenses, can be obtained) of these entitlements by a person appointed by the Directors contemplated in the circular of the Company dated 20 June 2014 and despatched to the shareholders of the Company; and
- (d) for the purpose of this resolution, “Effective Date” means the business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) in Hong Kong immediately after the date on which this resolution is passed by the shareholders of the Company.”

SPECIAL RESOLUTION 2

“**THAT:**

- (a) subject to the passing of the ordinary resolution numbered 1 (“**Ordinary Resolution 1**”) set out in the notice of the extraordinary general meeting of the Company dated 20 June 2014, of which

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this resolution forms part, 4,397,609,522 unissued Consolidated Shares (as defined in Ordinary Resolution 1) shall, with effect from the Effective Date (as defined in paragraph (d) of this resolution), be re-designated as 4,397,609,522 non-voting non-redeemable convertible preference shares with a par value of HK\$0.002 each (“**Convertible Preference Shares**”) in the capital of the Company, having attached thereto the respective rights and being subject to the respective limitations set out in the Articles of Association of the Company as altered by this Resolution;

- (b) the existing clause 6 of the Memorandum of Association of the Company be replaced with effect from the Effective Date (as defined in paragraph (d) of this resolution) by a new clause 6 as follows:

“6. The authorized share capital of the Company shall be HK\$250,000,000 divided into 120,602,390,478 ordinary shares with a par value of HK\$0.002 each and 4,397,609,522 non-voting non-redeemable convertible preference shares with a par value of HK\$0.002 each with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (Revised) (Cap. 22) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained”;

- (c) the Articles of Association of the Company be amended with effect from the Effective Date (as defined in paragraph (d) of this resolution) as follows:

- (i) The existing Article 3 shall be deleted in its entirety and replaced by the following new Article 3:

”The authorized share capital of the Company shall be HK\$250,000,000 divided into 120,602,390,478 ordinary shares with a par value of HK\$0.002 each and 4,397,609,522 non-voting non-redeemable convertible preference shares with a par value of HK\$0.002 each.”

- (ii) by inserting a new Article 3A immediately after existing Article 3 as follows:

“3A. Convertible Preference Shares

The Convertible Preference Shares shall have the following special rights and restrictions:

3A.1 Distributions

The Convertible Preference Shares shall, subject to Articles 3A.2 and 3A.5(i), participate *pari passu* in any distributions payable to the holders of the Ordinary Shares on a *pro rata as-if-converted* basis.

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3A.2 *Liquidation*

On a distribution of assets on liquidation or winding-up of the Company, the assets of the Company available for distribution to the holders of Convertible Preference Shares and Ordinary Shares shall be applied as follows:

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

3A.3 *Voting*

The Convertible Preference Shares shall not confer on the holders any entitlement to vote at general meetings of the Company, except on a resolution for winding-up of the Company. Notices of any general meeting of the Company shall be sent to each holder of Convertible Preference Shares and each holder shall be entitled to attend and speak at the same, whether or not it has a right to vote thereat.

3A.4 *Conversion*

- (a) Subject to (c) below, a holder of a Convertible Preference Share may by notice given to the Company at the place of business in Hong Kong of its appointed transfer agent (or, if no such agent is appointed, at the Company's principal place of business in Hong Kong) at any time after the date of issue of that share and accompanied by the share certificate for the relevant share (or, where such certificate has been lost or destroyed, such evidence of title as the Company may reasonably require), require the conversion of any or all of its Convertible Preference Shares (being at least 10,000, subject to adjustment upon the occurrence of subdivision, consolidation or re-classification of the Ordinary Shares under Article 3A.5(a) except that if the number of all the Convertible Preference Shares held by a holder is less than 10,000, he may exercise his conversion rights in respect of all such Convertible Preference Shares) into fully-paid Ordinary Shares without the payment of any additional consideration therefor whereupon the Company shall as soon as practicable and in any

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event no later than five (5) Trading Days after the date of actual receipt of such notice and share certificate allot and issue to such holder such number of Ordinary Shares (rounded down to the nearest whole number) as shall be equal to the number of Convertible Preference Shares to be converted multiplied by the then applicable Conversion Factor and procure that a certificate for such Ordinary Shares is issued to the holder and sent at its risk to his address appearing in the Register.

- (b) Conversion of the Convertible Preference Shares shall be effected in such manner as the Directors shall, subject to these Articles and the Law, from time to time determine. Ordinary Shares issued upon conversion shall rank *pari passu* in all respects with the existing Ordinary Shares save in respect of any distribution or other corporate action the record date for which falls before the date of issue.
- (c) The Company shall not effect the conversion of any Convertible Preference Shares if and to the extent that as a result of conversion the percentage of the Ordinary Shares held by the public would, in the Company's reasonable opinion, fall below the minimum requirement under the rules of the Designated Stock Exchange, and the conversion of such Convertible Preference Shares shall be suspended until such time as the Company is able to issue new Ordinary Shares in satisfaction of the exercise of the conversion of such Convertible Preference Shares and at the same time comply with the minimum public float requirements under the rules of the Designated Stock Exchange.

3A.5 *Adjustments to the Conversion Factor*

- (a) *Subdivision and consolidation and re-classification.* If the Company shall sub-divide, consolidate or re-classify the Ordinary Shares, the Conversion Factor shall be adjusted by multiplying it by the nominal value of an Ordinary Share immediately before the sub-division or consolidation or re-classification and then dividing the result by the nominal value immediately after the sub-division or consolidation or re-classification.
- (b) *No reduction in Conversion Factor:* No adjustment involving a reduction in the Conversion Factor will be made, except in the case of a consolidation or reclassification of the Ordinary Shares as referred to in Article 3A.5(a) above.
- (c) *Minor adjustments:* No adjustment shall be made to the Conversion Factor if such adjustment would be less than one per cent. of the Conversion Factor then in effect. Any adjustment not required to be made shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

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- (d) *Notice of adjustments:* The Company shall give notice to the holders of Convertible Preference Shares of any adjustment to the Conversion Factor as soon as practicable following such adjustment taking effect. Such notice may be in writing or may take the form of a public announcement made in accordance with the rules of the Designated Stock Exchange.

- (e) *Retroactive adjustments:* If the date of issue of Ordinary Shares in relation to the conversion of any Convertible Preference Share shall be after the record date in respect of any sub-division or consolidation or reclassification as is mentioned in Article 3A.5(a), but before the relevant adjustment to the Conversion Factor becomes effective (such adjustment, a “**Retroactive Adjustment**”), then the Company shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the converting holder of Convertible Preference Shares such additional number of Ordinary Shares (if any) (the “**Additional Ordinary Shares**”) as, together with the Ordinary Shares issued on conversion of the relevant Convertible Preference Shares (together with any fraction of an Ordinary Share not so issued), is equal to the number of Ordinary Shares which would have been required to be issued on such conversion if the relevant adjustment to the Conversion Factor had been made and become effective immediately prior to the relevant date of issue.

3A.6 *Redemption*

The Convertible Preference Shares are not redeemable by the Company or the holders thereof.

3A.7 *Takeover*

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

3A.8 *Scheme of Arrangement*

Where, pursuant to a scheme of arrangement, a person (together with parties acting in concert with such person) is to become the holder of all of the Ordinary Shares in issue, the Company may at any time thereafter require that all outstanding Convertible Preference Shares be converted into Ordinary Shares at the then applicable Conversion Factor on the basis that the public float requirements under the Listing Rules be complied with unless otherwise waived by the Designated Stock Exchange.

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3A.9 *Rights to participate in rights issue, open offer or bonus issue*

If and whenever the Company makes any offers by way of rights issue, open offer and/or issue by way of bonus of shares of the Company, securities carrying rights to subscribe for, convert or exchange into shares of the Company or voting rights, other shares or rights carrying the right to acquire same voting rights, or debt securities (the “**Offered Securities**”) to all the holders of Ordinary Shares, the same rights and/or bonus issues shall be offered and/or issued to holders of Convertible Preference Shares at the same time and on the same terms as the Offered Securities are offered and/or issued to the holders of Ordinary Shares.

3A.10 *Listing and Transferability*

The Convertible Preference Shares will not be listed on the Designated Stock Exchange or any other stock exchange. No application will be made for the listing of the Convertible Preference Shares on the Designated Stock Exchange or any other stock exchange.

The Convertible Preference Shares may be transferred without any restriction.

3A.11 *Ranking of the Converted Shares*

Upon conversion of the Convertible Preference Shares, the Converted Shares will be issued as fully paid and will rank pari passu in all respects of the Ordinary Shares in issue as at the date of conversion.

3A.12 *Undertakings*

So long as any Convertible Preference Share remains outstanding:

- (a) for so long as the Ordinary Shares remain listed on the Designated Stock Exchange, the Company will use all reasonable endeavors to obtain a listing on the Designated Stock Exchange for any Ordinary Shares issued upon conversion of the Convertible Preference Shares;
- (b) the Company will send to each holder of any Convertible Preference Share, for their information, one copy of every circular, notice or other document sent to holders of Ordinary Shares, at the same time as it is sent to such holders;

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- (c) the Company shall procure that there shall be sufficient authorised but unissued share capital available for the purposes of satisfying conversion in full of all the Convertible Preference Shares;
- (d) the Company shall not without the consent of the holders of the Convertible Preference Shares as a class, obtained in the manner provided in these Articles, or unless otherwise permitted pursuant to these Articles, modify, vary, alter or abrogate the special rights attaching to the Convertible Preference Shares as a class; and
- (e) the Company shall pay all fees, capital and stamp duties payable in Hong Kong and in the Cayman Islands, if any, in respect of the issue of Ordinary Shares upon conversion of any Convertible Preference Shares.

3A.13 *Definitions*

For the purposes of this Article 3A:

- (a) “Converted Share(s)” means new Ordinary Share(s) allotted and issued upon conversion of any of the Convertible Preference Shares;
 - (b) “Convertible Preference Shares” means the non-voting non-redeemable convertible preference shares of the Company having the special rights and restrictions set out in Article 3A;
 - (c) “Conversion Factor” means one (1), as may be adjusted pursuant to Article 3A.5;
 - (d) “Ordinary Shares” means (i) shares of the class of share capital of the Company which is designated as ordinary shares of the Company, together with shares of any class or classes resulting from any subdivision, consolidation or re-classification thereof, which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, and (ii) fully-paid and unencumbered shares of any other class or classes of the share capital of the Company which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which have the same nominal value as the ordinary shares of the Company; and the expression “Ordinary Share” shall be construed accordingly.”; and
 - (e) “Trading Day” means a day when the Designated Stock Exchange is open for dealing business;
- (d) for the purpose of this resolution, “Effective Date” means the business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) in Hong Kong immediately after the date on which this resolution is passed by the shareholders of the Company.”

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ORDINARY RESOLUTION 3

“**THAT**, subject to (i) the passing of the ordinary resolution numbered 1 and the special resolution numbered 2 set out in the notice of the extraordinary general meeting of the Company dated 20 June 2014 (“**Notice**”), of which this resolution forms part, and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in the Cosmopolitan Open Offer Shares and the Cosmopolitan Converted Shares (both as defined in the circular of the Company dated 20 June 2014 (“**Circular**”) and issued to the shareholders of the Company containing the Notice):

- (a) the making of the Cosmopolitan Open Offer as described in the Circular be and is hereby approved;
- (b) the creation, offer, allotment and issue of the Cosmopolitan Open Offer Shares and the Cosmopolitan Convertible Preference Shares (as defined in the Circular) and, pursuant to exercise of the conversion rights attaching to any Cosmopolitan Convertible Preference Shares, the Cosmopolitan Converted Shares be and are hereby approved;
- (c) the directors of the Company (“**Directors**”) be and are hereby authorised to allot and issue the Cosmopolitan Open Offer Shares and the Cosmopolitan Convertible Preference Shares on the basis and the relevant terms and conditions as set out in the Circular and the Cosmopolitan Open Offer Documents (as defined in the Circular) and, pursuant to exercise of the conversion rights attaching to any of the Cosmopolitan Convertible Preference Shares, the Cosmopolitan Converted Shares (or ordinary shares of the Company), notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholders of the Company and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to the Excluded Cosmopolitan Shareholders (as defined in the Circular) as they may, at their absolute discretion, deem necessary, desirable or expedient after making such enquiries with respect to legal restrictions under the laws of the relevant overseas jurisdictions and the requirements of the relevant overseas regulatory bodies or stock exchanges as set out in the Circular;
- (d) the entering into of the Underwriting Agreement (as defined in the Circular), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification, between the Company and P&R Strategic Limited as the underwriter in respect of the Cosmopolitan Open Offer and the transactions contemplated thereunder (including, but not limited to, the allotment and issue any Cosmopolitan Open Offer Shares and the Cosmopolitan Convertible Preference Shares thereunder) and the execution of the Underwriting Agreement by any Directors on behalf of the Company be and are hereby approved, confirmed and ratified; and
- (e) the Directors be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to the Cosmopolitan Open Offer, the Underwriting Agreement, the transactions contemplated thereunder respectively or otherwise contemplated under this resolution, including

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where appropriate, agreeing to any non-material amendments to the terms and conditions of the Cosmopolitan Open Offer and the Underwriting Agreement to the extent permitted by the Listing Rules (as defined in the Circular) and the applicable law and all circumstances in the interests of the Company and its shareholders.”

ORDINARY RESOLUTION 4

“**THAT:**

- (a) the execution and delivery by the Company of the Cosmopolitan Convertible Bonds Subscription Agreement (as defined in the circular of the Company dated 20 June 2014 (“**Circular**”) and issued to the shareholders of the Company), a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for the purpose of identification, and all transactions contemplated thereunder (including, without limitation, the grant of option right to require the Company to issue the Cosmopolitan Optional Convertible Bonds (as defined in the Circular) thereunder) be and are hereby approved, confirmed and ratified;
- (b) the creation and issue of the Cosmopolitan Convertible Bonds (as defined in the Circular) and the Cosmopolitan Optional Convertible Bonds on the terms and conditions of the Cosmopolitan Convertible Bonds Subscription Agreement be and are hereby approved;
- (c) subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Cosmopolitan Conversion Shares and Cosmopolitan Optional Conversion Shares (both as defined in the Circular), the allotment and issue of any Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares (or ordinary shares of the Company) pursuant to the exercise of the conversion rights attaching to the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds, if any, respectively be and are hereby approved, and the directors of the Company (“**Directors**”) be and are hereby authorised to allot and issue any Cosmopolitan Conversion Shares and the Cosmopolitan Optional Conversion Shares (or ordinary shares of the Company) pursuant to and in accordance with their respective terms of issue and the relevant provisions of the Cosmopolitan Convertible Bonds Subscription Agreement; and
- (d) the Directors be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to the Cosmopolitan Convertible Bonds Subscription Agreement, the transactions contemplated thereunder respectively or otherwise contemplated under this resolution, including where appropriate, agreeing to any non-material amendments to the terms and conditions of the Cosmopolitan Convertible Bonds Subscription Agreement and the terms of issue of the Cosmopolitan Convertible Bonds and the Cosmopolitan Optional Convertible Bonds to the extent permitted by the Listing Rules (as defined in the Circular) and the applicable law and all circumstances in the interests of the Company and its shareholders.”

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

Hong Kong, 20 June 2014

NOTICE OF THE COSMOPOLITAN EGM

Registered office:
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

*Head office and principal place
of business in Hong Kong:*
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holdings.
4. Votes cast at a general meeting will be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.
5. In the event that a typhoon signal no. 8 (or above) or a black rainstorm warning is in effect on the day of the meeting, Shareholders are requested to call the Company's hotline at (852) 2894-7546 on that day to enquire about the arrangements of the meeting.