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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **ITC Properties Group Limited** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

VERY SUBSTANTIAL ACQUISITIONS IN RELATION TO THE ACQUISITIONS OF SHARES AND LOANS OF MAKERSTON LIMITED AND EAGLE SPIRIT HOLDINGS LIMITED AND NOTICE OF THE SPECIAL GENERAL MEETING

A notice convening the special general meeting of the Company (the "**SGM**") to be held at Gemini Room, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Monday, 1st December, 2014 at 2:30 p.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is also enclosed.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) if you so wish.

* *For identification purpose only*

Hong Kong, 10th November, 2014

CONTENTS

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

"Affiliated Lender(s)"	in relation to shareholder(s) of More Star, any entity that is wholly-owned by such shareholder(s) or the ultimate holding company of such shareholder(s)
"Agreements"	collectively, the Makerston Agreement and the Eagle Spirit Agreement
"Apex"	Apex Quality Group Limited, an indirect non wholly-owned subsidiary of Rosedale incorporated in the BVI with limited liability
"associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Beijing Hotel"	the hotel situated at No. 8, Jiang Tai Road West, Chao Yang District, Beijing, the PRC now operating under the name of "***Rosedale Hotel & Suites, Beijing***"
"Board"	the board of the Directors
"Business Day"	a day (other than Saturday, Sunday, public holidays and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Capital Increase Agreement"	the capital increase agreement dated 31st May, 2013 entered into between DS Eastin, CPVL, the PRC Company and Rosedale in relation to, amongst other things, the capital contribution by a PRC subsidiary of CPVL in the amount of US$68.8 million (representing approximately HK$533.2 million) to the registered capital of the PRC Company
"close associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Company"	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares (Stock Code : 199) of which are listed on the Main Board of the Stock Exchange
"Compensated Amount"	approximately HK$665 million, representing the amount of compensation receivable by DS Eastin from CPVL as at the completion of the Capital Increase Agreement

"Completion"	collectively, the MS Completion and the ES Completion
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Consideration"	collectively, the MS Consideration and the ES Consideration
"CPVL"	China Private Ventures Ltd., a company incorporated in the BVI with limited liability
"Director(s)"	the director(s) of the Company
"Domain Name"	the domain name "kowloon.rosedalehotels.com", including email addresses using such domain name, namely, "@rosedalehotels.com"
"DS Eastin"	DS Eastin Limited, an indirect wholly-owned subsidiary of RHGL, which was incorporated in Hong Kong with limited liability
"DS Eastin Dividend"	a dividend to be declared prior to the MS Completion by DS Eastin to Makerston in an amount equal to the lesser of all the distributable reserves of DS Eastin and the Compensated Amount, payable on receipt of the Compensated Amount
"Eagle Spirit"	Eagle Spirit Holdings Limited, a wholly-owned subsidiary of Easy Vision, which was incorporated in the BVI with limited liability
"Eagle Spirit Agreement"	the agreement dated 11th April, 2014 (as supplemented by the Eagle Spirit Extension Letter) entered into amongst the Purchaser, the ES Vendor, the Company and Rosedale in relation to the sale and purchase of the ES Sale Share and the ES Sale Loan
"Eagle Spirit Extension Letter"	the extension letter dated 23rd September, 2014 entered into amongst the Purchaser, the ES Vendor, the Company and Rosedale in relation to the extension of the ES Long Stop Date to 29th December, 2014
"Eagle Spirit Group"	collectively, Eagle Spirit and its subsidiaries
"Enlarged Group"	the Group immediately after the Completion
"ES Completion"	completion of the sale and purchase of the ES Sale Share and the assignment of the ES Sale Loan under the Eagle Spirit Agreement

"ES Completion Accounts"	(i) the unaudited management accounts of Eagle Spirit (on a non-consolidated basis); (ii) the unaudited consolidated management accounts of More Star (including Fortress State as its subsidiary); (iii) the unaudited management accounts of Rosedale Kowloon; (iv) the unaudited consolidated management accounts of HMIL (including RCL as its subsidiary); and (v) the unaudited combined management accounts of Rosy (including RHMIL and RGML as subsidiaries), each comprising an income statement for the period from 1st January, 2014 to the ES Completion Date and a statement (or consolidated statement as the case may be) of financial position as at the ES Completion Date
"ES Completion Date"	the date that the ES Completion takes place
"ES Consideration"	the aggregate consideration for the ES Sale Share and the ES Sale Loan pursuant to the terms of the Eagle Spirit Agreement
"ES Group Entities"	Eagle Spirit, More Star, Fortress State, Rosedale Kowloon, HMIL, RCL, Rosy, RHMIL and RGML
"ES Long Stop Date"	being 29th December, 2014, or such later date as the parties to the Eagle Spirit Agreement may agree in writing
"ES Net Current Assets"	for any company, the aggregate of all current assets (including all cash at bank and on hand but excluding deferred tax assets and the TKT Hotel) of such company less all liabilities (including without limitation, all unpaid professional fees and other costs and expenses incurred by the ES Group Entities in relation to the development of the TKT Hotel for the purpose of obtaining the occupation permit no. KN39/2011 and the TKT Hotel Licence but excluding deferred tax liabilities and the ES Sale Loan) of such company, as at the ES Completion Date
"ES Note"	a 5%, 2-year promissory note in the principal amount of HK$250 million to be issued by the Company to the ES Vendor or its nominee as partial settlement of the ES Consideration upon the ES Completion
"ES Sale Loan"	the amounts due from Eagle Spirit to the ES Vendor upon the ES Completion

"ES Sale Share"	one (1) ordinary share of US$1 each in the issued share capital of Eagle Spirit representing the entire issued share capital as at the date of the Eagle Spirit Agreement and on the ES Completion
"ES-SHI Shareholders' Agreement"	the shareholders' agreement entered into between Eagle Spirit, SHI and More Star dated 14th March, 2014
"ES Vendor" or "Easy Vision"	Easy Vision Holdings Limited, a direct wholly-owned subsidiary of Rosedale, which was incorporated in the BVI with limited liability
"Fair Value Per More Star Share"	the fair value of a share in More Star as certified by an independent firm of public accountants agreed by the shareholders of More Star with reference to a joint valuation report on the open market value of the TKT Hotel prepared by two independent valuers (one being nominated by the purchasing shareholders of More Star and the other by the selling shareholders of More Star) and ignoring all selling shareholders' loans other than any excess over the equity proportion of any shareholders of More Star
"Fortress State"	Fortress State International Limited, a wholly-owned subsidiary of More Star, which was incorporated in Hong Kong with limited liability
"Group"	the Company and its subsidiaries
"Hanny"	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares (Stock Code : 275) of which are listed on the Main Board of the Stock Exchange
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HMIL"	Hongkong Macau (International) BVI Limited, a direct wholly-owned subsidiary of Eagle Spirit, which was incorporated in the BVI with limited liability
"HMIL Group"	collectively, HMIL and its subsidiary
"ITCC"	ITC Corporation Limited, a company incorporated in Bermuda with limited liability, the issued shares (Stock Code : 372) of which are listed on the Main Board of the Stock Exchange

"Latest Practicable Date"	Thursday, 6th November, 2014, being the latest practicable date of ascertaining certain information included herein before the printing of this circular
"Licence Agreement"	the licence agreement to be entered into between ROHMI (as licensor) and Rosedale Kowloon (as licensee) upon the ES Completion
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Makerston"	Makerston Limited, a wholly-owned subsidiary of RHGL, which was incorporated in the BVI with limited liability
"Makerston Agreement"	the agreement dated 11th April, 2014 (as supplemented by the Makerston Extension Letter) entered into amongst the Purchaser, the MS Vendor, the Company and Rosedale in relation to the sale and purchase of the MS Sale Share and the MS Sale Loan
"Makerston Dividend"	a dividend to be declared by Makerston prior to the MS Completion to the MS Vendor in an amount equal to the lesser of all distributable reserves of Makerston and the DS Eastin Dividend, subject to receipt of the DS Eastin Dividend
"Makerston Extension Letter"	the extension letter dated 23rd September, 2014 entered into amongst the Purchaser, the MS Vendor, the Company and Rosedale in relation to the extension of the MS Long Stop Date to 29th December, 2014
"Makerston Group"	collectively, Makerston and its subsidiary
"Master Lease"	the lease dated 14th March, 2014 entered into between Rosedale Kowloon (as lessee) and Fortress State (as lessor) in relation to the lease of the TKT Hotel
"More Star"	More Star Limited, incorporated in the BVI with limited liability, 40% of the issued share capital of which is owned by Eagle Spirit
"More Star Group"	collectively, More Star and its subsidiaries
"Mr. Chan FY"	Mr. Chan Fut Yan, an executive Director and the managing director of the Company, an executive director of ITCC, and a director of the MS Vendor and certain members of the MS Group Entities and the ES Group Entities

"Mr. Chan YL"	Mr. Chan Yiu Lun, Alan, an executive Director, who is also an executive director of ITCC and a director of certain members of the ES Group Entities
"Mr. Cheung"	Mr. Cheung Hon Kit, an executive director and chairman of the Company and Rosedale and a director of the MS Vendor and certain members of the MS Group Entities and the ES Group Entities
"Mr. Kwok"	Mr. Kwok Ka Lap, Alva, an independent non-executive director of the Company, Rosedale and Hanny
"Mr. Shek"	Hon. Shek Lai Him, Abraham, *GBS*, *JP*, an independent non-executive director of the Company and ITCC
"MS Completion"	completion of the sale and purchase of the MS Sale Share and the assignment of the MS Sale Loan under the Makerston Agreement
"MS Completion Accounts"	(i) the unaudited management accounts of Makerston on a non-consolidated basis; (ii) the unaudited management accounts of DS Eastin (on a non-consolidated basis); and (iii) the unaudited management accounts of the PRC Company, each comprising an income statement for the period from 1st January, 2014 to the MS Completion Date and a statement of financial position as at the MS Completion Date
"MS Completion Date"	the date that the MS Completion takes place
"MS Consideration"	the aggregate consideration for the MS Sale Share and the MS Sale Loan pursuant to the terms of the Makerston Agreement
"MS Group Entities"	Makerston, DS Eastin and the PRC Company
"MS Long Stop Date"	being 29th December, 2014 or such later date as the parties to the Makerston Agreement may agree in writing

"MS Net Current Assets"	for any company, the aggregate of all current assets (including all cash at bank and on hand but excluding interest in an associated company, deferred tax assets, the Compensated Amount, net asset adjustment receivable under the Capital Increase Agreement and the Beijing Hotel) of such company less all liabilities (excluding all unpaid land premium, professional fees and other costs and expenses incurred by the MS Group Entities in relation to the proposed expansion and renovation of the Beijing Hotel up to the amount of available cash of the PRC Company, PRC tax liabilities on disposal of 80% interest in the PRC Company pursuant to the Capital Increase Agreement, deferred tax liabilities and the MS Sale Loan) of such company, as at the MS Completion Date
"MS Note"	a 5%, 2-year promissory note in the principal amount of HK$250 million to be issued by the Company to the MS Vendor or its nominee as partial settlement of the MS Consideration upon the MS Completion
"MS Sale Loan"	the amounts due from Makerston to the MS Vendor upon the MS Completion
"MS Sale Share"	one (1) ordinary share of US$1 each in the issued share capital of Makerston representing the entire issued share capital as at the date of the Makerston Agreement and on the MS Completion
"MS Vendor" or "RHGL"	Rosedale Hotel Group Limited, a wholly-owned subsidiary of Apex, which was incorporated in the BVI with limited liability
"m^2"	square meters
"Notes"	collectively, the ES Note and the MS Note
"PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
"PRC Company"	Rosedale Hotel Beijing Co., Ltd. (北京珀麗酒店有限責任公司), a sino-foreign joint venture company established in the PRC, in which DS Eastin has a 20% equity interest
"PRC JV Agreement"	the shareholders' agreement entered into between DS Eastin and Beijing Baijun Investment Limited (北京百駿投資有限公司), a subsidiary of CPVL dated 18th October, 2013

"Purchaser" or "Silver Infinite"	Silver Infinite Limited, a direct wholly-owned subsidiary of the Company, which was incorporated in the BVI with limited liability
"RCL"	Rosedale Restaurant and Catering Limited, an indirect wholly-owned subsidiary of Eagle Spirit, which was incorporated in Hong Kong with limited liability
"Relevant Rosedale Shares"	195,706,000 ordinary share(s) of HK$0.01 each in the share capital of Rosedale (representing approximately 29.76% of its issued share capital)
"RGML"	Rosedale Group Management Limited, a direct wholly-owned subsidiary of Rosy, which was incorporated in Hong Kong with limited liability
"RHMIL"	Rosedale Hotel Management International Limited, a direct wholly-owned subsidiary of Rosy, which was incorporated in the BVI with limited liability
"RMB"	Renminbi, the lawful currency of the PRC
"ROHMI"	Rosedale Oriental Hotel Management Inc., a direct wholly-owned subsidiary of RHGL, which was incorporated in the BVI with limited liability
"Rosedale"	Rosedale Hotel Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares (Stock Code : 1189) of which are listed on the Main Board of the Stock Exchange
"Rosedale Kowloon"	Rosedale Hotel Kowloon Limited, a direct wholly-owned subsidiary of Eagle Spirit, which was incorporated in Hong Kong with limited liability
"Rosedale SGM"	the special general meeting of Rosedale to be convened and held for the Rosedale Shareholders to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder
"Rosedale Share Agreement"	the agreement dated 11th April, 2014 entered into among ITCC, ITC Investment Holdings Limited (as vendor), Hanny and Hanny Investment Group Limited (as purchaser) in relation to the sale and purchase of the entire issued share capital of Leaptop Investments Limited (a wholly-owned subsidiary of ITCC) which through its wholly-owned subsidiary, holds the Relevant Rosedale Shares

"Rosedale Shareholders(s)"	holder(s) of share(s) of HK$0.01 each in the share capital of Rosedale
"Rosy"	Rosy Universe Limited, a wholly-owned subsidiary of Eagle Spirit, which was incorporated in the BVI with limited liability
"Rosy Group"	collectively, Rosy and its subsidiaries
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SHI"	Shaw Holdings Inc., a company incorporated in the Republic of Nauru
"SHI Agreement"	the sale and purchase agreement dated 5th November, 2013 entered into between Eagle Spirit as vendor and SHI as purchaser in relation to the sale and purchase of 60% interest in More Star
"SHI Call Option"	an option to require Eagle Spirit to sell to SHI the SHI Call Option Interest pursuant to the ES-SHI Shareholders' Agreement
"SHI Call Option Interest"	all (and not part only) of the shares Eagle Spirit holds in More Star and the total amount (which shall be all and not part only) of the shareholders' loans then owing by the More Star Group to Eagle Spirit and its Affiliated Lenders
"SHI Put Option"	an option to require Eagle Spirit to purchase the SHI Put Option Interest pursuant to the ES-SHI Shareholders' Agreement

"SHI Put Option Interest"	all (and not part only) of the shares SHI holds in More Star and the total amount (which shall be all and not part only) of the shareholders' loans then owing by the More Star Group to SHI and its Affiliated Lenders
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TKT Hotel"	the hotel situated at the piece of land, registered in the Land Registry as the Remaining Portion of Kowloon Inland Lot No. 11208, No. 86 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong and now operating under the name of "***Rosedale Hotel Kowloon***"
"TKT Hotel Licence"	the hotel licence with Licence No. H/4644 issued by Hotel and Guesthouse Accommodation Authority to Fortress State dated 24th May, 2013
"Trademarks"	means (i) the trademarks registrations in Hong Kong in relation to the "***Rosedale***" brand of which ROHMI is the registered owner; (ii) such other marks which are from time to time used by, owned by, registered in the name of and/or applied for registration in the name of ROHMI or any of its wholly-owned subsidiaries from time to time and the use of which by Rosedale Kowloon and companies under common control of Rosedale Kowloon has been agreed between ROHMI and Rosedale Kowloon from time to time in writing; and (iii) the Domain Name
"Transactions"	collectively, the transactions contemplated under the Agreements
"US$"	United States dollars, the lawful currency of the United States of America
"Valuation Price"	the Fair Value Per More Star Share times (i) the number of shares of More Star to be sold and purchased plus (ii) if any portion of the shareholder's loan over and above the proportion of shareholding in More Star of the respective shareholders of More Star is owing to the selling shareholder of More Star and/or its Affiliated Lenders, an amount equivalent to the face value thereof and interest accrued thereon
"%"	per cent.

In this circular, save as otherwise provided, amounts in RMB are translated into HK$ on the basis of RMB1 = HK$1.26 and US$ are converted into HK$ on the basis of US$1 = HK$7.75. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK$ at that rate or at all.

For ease of reference, the names of companies and entities established in the PRC have been included in this circular in both Chinese and English languages and the English names of these companies and entities are either English translation of their respective official Chinese names or English tradenames used by them. In the event of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

Executive Directors:
Mr. Cheung Hon Kit *(Chairman)*
Mr. Chan Fut Yan *(Managing Director)*
Mr. Cheung Chi Kit
Mr. Chan Yiu Lun, Alan

Independent Non-executive Directors:
Hon. Shek Lai Him, Abraham, *GBS, JP (Vice Chairman)*
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 3102, 31st Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

10th November, 2014

To the Shareholders and, for information only, the holders of loan notes of the Company

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITIONS
IN RELATION TO
THE ACQUISITIONS OF SHARES AND LOANS OF
MAKERSTON LIMITED AND EAGLE SPIRIT HOLDINGS LIMITED

INTRODUCTION

The Board announced on (i) 23rd April, 2014 that after trading hours of the Stock Exchange on 11th April, 2014, (1) Silver Infinite, the MS Vendor, the Company and Rosedale entered into the Makerston Agreement pursuant to which Silver Infinite has conditionally agreed to purchase and accept the assignment of, and the MS Vendor has conditionally agreed to sell and assign, the MS Sale Share and the MS Sale Loan at a maximum consideration of HK$324.0 million; and (2) Silver Infinite, the ES Vendor, the Company and Rosedale entered into the Eagle Spirit Agreement pursuant to which Silver Infinite has conditionally agreed to purchase and accept the assignment of, and the ES Vendor has conditionally agreed to sell and assign, the ES Sale Share and the ES Sale Loan at a maximum consideration of HK$566.0 million; and (ii) on 23rd September, 2014 that the parties relating thereto entered into the Makerston Extension Letter and the Eagle Spirit Extension Letter pursuant to which both the

* *For identification purpose only*

MS Long Stop Date and the ES Long Stop Date were extended to 29th December, 2014. Each of the Makerston Agreement and the Eagle Spirit Agreement is not inter-conditional on each other.

Makerston owns the entire issued share capital of DS Eastin which in turn owns 20% of the equity interest in the PRC Company which owns the Beijing Hotel (currently known as "***Rosedale Hotel & Suites, Beijing***"). Eagle Spirit owns 40% of the issued share capital of More Star which in turn owns the entire issued share capital of Fortress State. Fortress State is the owner of the TKT Hotel (currently known as "***Rosedale Hotel Kowloon***"). Eagle Spirit also owns the entire issued share capital of Rosedale Kowloon, HMIL and Rosy. Rosedale Kowloon is the lessee and operator of the TKT Hotel.

The Transactions collectively constitute very substantial acquisitions for the Company under Chapter 14 of the Listing Rules. The Agreements and the transactions contemplated thereunder are therefore subject to the approval by the Shareholders at the SGM by way of poll.

The purpose of this circular is to provide you with, among other things, details of the Makerston Agreement and the Eagle Spirit Agreement, information on the MS Group Entities and the ES Group Entities, the financial information of the Group, the Makerston Group, the PRC Company, the Eagle Spirit Group and the More Star Group, the unaudited pro forma financial information of the Enlarged Group, the valuation reports on the TKT Hotel and the Beijing Hotel, the notice of the SGM and other information required under the Listing Rules.

THE MAKERSTON AGREEMENT

Date: 11th April, 2014 (after trading hours of the Stock Exchange) (as supplemented by the Makerston Extension Letter on 23rd September, 2014)

Parties:

1. Purchaser : Silver Infinite, a direct wholly-owned subsidiary of the Company;

2. MS Vendor : RHGL, which is beneficially owned as to approximately 88.64% by Rosedale;

3. Purchaser's guarantor : the Company; and

4. MS Vendor's guarantor : Rosedale.

As at the date of the Makerston Agreement, (1) ITCC beneficially held 195,706,000 shares in Rosedale (representing approximately 29.76% of the issued share capital of Rosedale) and Dr. Chan Kwok Keung, Charles (being the controlling shareholder of ITCC) held 1,132,450 shares in Rosedale (representing approximately 0.17% of the issued share capital of Rosedale); (2) ITCC beneficially held 211,052,123 Shares (representing approximately 30.65% of the issued share capital of the Company) and Dr. Chan Kwok Keung, Charles and his spouse beneficially held 147,360,405 Shares in aggregate (representing approximately 21.40% of the issued share capital of the Company); and (3) Mr. Kwok held 7,500 shares in Rosedale (representing approximately 0.001% of the issued share capital of Rosedale). Save for the abovementioned, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the MS Vendor and its ultimate beneficial owners are third parties independent of the Group and its connected persons and are not connected persons of the Company as at the date of the Makerston Agreement.

In addition, as at the date of the Agreements and the Latest Practicable Date, apart from being a Director, (i) Mr. Cheung is also an executive director and chairman of Rosedale; (ii) Mr. Chan FY and Mr. Chan YL are also directors of ITCC; (iii) Mr. Shek is also an independent non-executive director of ITCC; (iv) Mr. Kwok is also an independent non-executive director of Rosedale and Hanny; (v) Mr. Cheung and Mr. Chan FY are also the directors of the MS Vendor and certain members of the MS Group Entities and the ES Group Entities; and (vi) Mr. Chan YL is also a director of certain members of the ES Group Entities.

Interests to be acquired:

The assets to be acquired by the Purchaser pursuant to the Makerston Agreement comprise (i) the MS Sale Share; and (ii) the MS Sale Loan.

The MS Sale Share comprises the entire issued share capital of Makerston as at the date of the Makerston Agreement and on the MS Completion. Makerston owns the entire issued share capital of DS Eastin which in turn owns 20% of the equity interest in the PRC Company which owns the Beijing Hotel (currently known as "***Rosedale Hotel & Suites, Beijing***"). The remaining 80% of the equity interest of the PRC Company is indirectly owned by CPVL.

The MS Sale Loan represents the aggregate amount owing by Makerston to the MS Vendor as at the MS Completion Date. The amount of the MS Sale Loan as at the date of the Makerston Agreement was approximately HK$207.8 million. The amount of the MS Sale Loan as at the Latest Practicable Date was approximately HK$207.0 million.

For further details of the interests to be acquired under the Makerston Agreement, please refer to the paragraph headed "Information on the MS Group Entities and the ES Group Entities".

Consideration and payment terms:

Subject to the amount payable, if applicable, as described under the paragraph headed "Compensated Amount" in this section below, the MS Consideration shall be determined in accordance with the following formula:

MS Consideration	=	HK$256 million
	+	the MS Net Current Assets of Makerston
	+	the MS Net Current Assets of DS Eastin
	+	20% of the MS Net Current Assets of the PRC Company
	+	20% of the amount of land premium paid by the PRC Company out of its cash on hand during the period between the date of the Makerston Agreement and the MS Completion Date,

of which:

1. the portion of the MS Consideration attributable to the MS Sale Loan shall be equal to the face value of the MS Sale Loan on a dollar-for-dollar basis as at the MS Completion Date; and

2. the remaining balance of the MS Consideration shall be attributable to the MS Sale Share.

The MS Consideration shall be paid by the Purchaser to the MS Vendor upon MS Completion as to:

1. HK$250 million by way of the issue of the MS Note; and

2. the balance in cash.

On MS Completion, the MS Consideration shall be determined based on the draft MS Completion Accounts prepared by the MS Vendor and the Purchaser shall have the right, no later than thirty (30) days after the MS Completion, to cause an audit on such draft MS Completion Accounts within two (2) months after the MS Completion Date. Upon finalisation of the MS Completion Accounts, any excess of the MS Consideration paid shall be returned to the Purchaser and any shortfall shall be paid by the Purchaser to the MS Vendor within ten (10) Business Days after the audited MS Completion Accounts is available, provided in any case, the aggregate of the MS Consideration shall not exceed HK$324.0 million (excluding any amount payable relating to the Compensated Amount as described in the paragraph headed "Compensated Amount" below).

Based on the audited consolidated statement of financial position of the Makerston Group as at 30th June, 2014 as contained in the accountants' report on the Makerston Group set out in Appendix IIA to this circular, the MS Consideration is estimated at HK$301.8 million.

The MS Consideration was determined after arm's length negotiation between the Purchaser and the MS Vendor with reference to, among other things, the unaudited financial information of the MS Group Entities as at 31st December, 2013, the amount of the MS Sale Loan which was approximately HK$207.8 million as at the date of the Makerston Agreement, and the market value of the Beijing Hotel of HK$1,290.0 million as at 31st March, 2014 as preliminarily appraised by Asset Appraisal Limited, an independent property valuer. In addition, the Purchaser has taken into account the growing prospects of the tourism industry in Beijing, which is more particularly described under the section headed "Reasons for and benefits of the Transactions" below. For the avoidance of doubt, the Rosedale Share Agreement has not been taken into account by the Company in the determination of the MS Consideration.

Conditions precedent:

Completion of the Makerston Agreement is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

(a) approval by the Rosedale Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules or the applicable laws, rules and regulations) of the Makerston Agreement and the transactions contemplated thereunder at the Rosedale SGM in compliance with the requirements of the Listing Rules has been obtained;

(b) written approval of the Shareholders or approval by the Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules or the applicable laws, rules and regulations) of the Makerston Agreement and the transactions contemplated thereunder at the SGM in compliance with the requirements of the Listing Rules has been obtained;

(c) the Purchaser being satisfied with the results of the due diligence review and investigation on each of the Makerston Group and the PRC Company;

(d) requisite consent under the PRC JV Agreement has been obtained in respect of the transfer of the MS Sale Share under the Makerston Agreement;

(e) each of the warranties given by the MS Vendor under the Makerston Agreement is true and accurate in all material respects and not misleading as at the date of the Makerston Agreement and shall remain true and accurate in all material respects and not misleading as at the MS Completion Date; and

(f) there being no material adverse change in the financial position of the Makerston Group and the PRC Company from 31st March, 2014 up to and as at the MS Completion Date.

The Purchaser may at its absolute discretion at any time waive the above conditions (c), (e) and (f) by notice in writing to the MS Vendor. Neither the MS Vendor nor the Purchaser may waive the conditions (a), (b) and (d) above.

As at the Latest Practicable Date, the condition (c) had been fulfilled. If any of the above conditions (a), (b) and (d) is not fulfilled on or before the MS Long Stop Date and/or the above conditions (c), (e) and (f) do not remain fulfilled (and are not waived by the Purchaser, acting reasonably) on the MS Completion Date, the rights and obligations of the parties under the Makerston Agreement shall lapse and be of no further effect except for antecedent breach.

The MS Vendor's indemnities:

Pursuant to the terms of the Makerston Agreement, the MS Vendor undertakes, among other things, to the Purchaser that it will fully indemnify the Purchaser, the Makerston Group and the PRC Company against any taxation and related expenses arising from the Capital Increase Agreement and the transactions contemplated thereunder. In the event that any of the MS Group Entities has received any notice or demand from any PRC authority in relation to any taxation and related expenses arising from the Capital Increase Agreement or any transactions contemplated therein, the Company shall be entitled to withhold the relevant amounts from and against any future amounts (other than interest payable) due to the MS Vendor under the MS Note pending determination of the MS Vendor's liability to make such payment to the Purchaser. Any amount so deducted from or set off against the amounts payable under the MS Note shall be deemed payment of the sum due thereunder by the Company.

Compensated Amount:

On 29th November, 2013, completion of the Capital Increase Agreement took place whereby the registered capital of the PRC Company increased from US$17.2 million (representing approximately HK$133.3 million) to US$86.0 million (representing approximately HK$666.5 million) and Makerston's equity interest in the PRC Company was diluted from 100% to 20%. Pursuant to the Capital Increase Agreement, CPVL has agreed to pay DS Eastin the Compensated Amount on or before six (6) months after the completion of the Capital Increase Agreement, i.e. 29th May, 2014. For further details of the Compensated Amount, please refer to the circular issued by Rosedale dated 26th July, 2013. As the date of the completion of the Capital Increase Agreement, the Compensated Amount amounted to approximately RMB528.0 million (representing approximately HK$665.3 million). As announced by Rosedale in its announcements dated 29th May, 2014, 20th August, 2014, 8th September, 2014 and 26th September, 2014, CPVL made the partial payments of the Compensated Amount in the sum of approximately HK$99.2 million, HK$502.0 million, HK$67.2 million and HK$7.9 million on 29th May, 2014, 20th August, 2014, 8th September, 2014 and 26th September, 2014 respectively. Accordingly, as at the Latest Practicable Date, the outstanding principal balance of the Compensated Amount and the accrued default interest in relation thereto had been fully settled.

Pursuant to the Makerston Agreement, the Compensated Amount is excluded in the calculation of the MS Consideration. The Purchaser agreed that if DS Eastin receives the Compensated Amount before the MS Completion Date, the same shall be paid to the MS Vendor by way of the DS Eastin Dividend and the Makerston Dividend and/or repayment of shareholder's loan due to the MS Vendor. In addition, the Purchaser undertakes that if DS Eastin receives the Compensated Amount after the MS Completion, the Purchaser shall ensure that the MS Vendor shall receive within five (5) Business Days thereafter the Compensated

Amount by way of the Makerston Dividend and to the extent that the Makerston Dividend is less than the Compensated Amount, by way of an increase of in the MS Consideration in the amount equal to that difference.

The MS Completion:

The MS Completion shall take place on the seventh (7th) Business Day immediately after fulfillment (or waiver, if applicable) of the conditions precedent (a), (b) and (d) to the Makerston Agreement above, subject to all conditions precedent under the Makerston Agreement being fulfilled or waived (as the case may be), or such other date as the parties to the Makerston Agreement may agree in writing.

Upon the MS Completion, the Makerston Group will become indirect wholly-owned subsidiaries of the Company which results and assets will be consolidated into the financial statements of the Enlarged Group. The PRC Company will become an associated company of the Enlarged Group which results will be equity accounted for by the Enlarged Group.

THE EAGLE SPIRIT AGREEMENT

Date: 11th April, 2014 (after trading hours of the Stock Exchange) (as supplemented by the Eagle Spirit Extension Letter on 23rd September, 2014)

Parties:

1.	Purchaser	:	Silver Infinite;
2.	ES Vendor	:	Easy Vision, a direct wholly-owned subsidiary of Rosedale;
3.	Purchaser's guarantor	:	the Company; and
4.	ES Vendor's guarantor	:	Rosedale.

As mentioned above, as at the date of the Eagle Spirit Agreement, (1) ITCC beneficially held 195,706,000 shares in Rosedale (representing approximately 29.76% of the issued share capital of Rosedale) and Dr. Chan Kwok Keung, Charles (being the controlling shareholder of ITCC) held 1,132,450 shares in Rosedale (representing approximately 0.17% of the issued share capital of Rosedale); (2) ITCC beneficially held 211,052,123 Shares (representing approximately 30.65% of the issued share capital of the Company) and Dr. Chan Kwok Keung, Charles and his spouse beneficially held 147,360,405 Shares in aggregate (representing approximately 21.40% of the issued share capital of the Company); and (3) Mr. Kwok held 7,500 shares in Rosedale (representing approximately 0.001% of the issued share capital of Rosedale). Save as aforesaid, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the ES Vendor and its ultimate beneficial owners are third parties independent of the Group and its connected persons and are not connected persons of the Company as at the date of the Eagle Spirit Agreement.

In addition, as at the date of the Agreements and the Latest Practicable Date, apart from being a Director, (i) Mr. Cheung is also an executive director and chairman of Rosedale; (ii) Mr. Chan FY and Mr. Chan YL are also directors of ITCC; (iii) Mr. Shek is also an independent non-executive director of ITCC; (iv) Mr. Kwok is also an independent non-executive director of Rosedale and Hanny; (v) Mr. Cheung and Mr. Chan FY are also the directors of certain members of the MS Group Entities and the ES Group Entities; and (vi) Mr. Chan YL is also a director of certain members of the ES Group Entities.

Interests to be acquired:

The assets to be acquired by the Purchaser pursuant to the Eagle Spirit Agreement comprise (1) the ES Sale Share; and (2) the ES Sale Loan.

The ES Sale Share comprises the entire issued share capital of Eagle Spirit as at the date of the Eagle Spirit Agreement and on the ES Completion. As at the date of the Eagle Spirit Agreement, Eagle Spirit owns 40% of the issued share capital of More Star which in turn owns the entire issued share capital of Fortress State. Fortress State is the owner of the TKT Hotel (currently known as "***Rosedale Hotel Kowloon***"). The remaining 60% equity interest in More Star is owned by SHI. Eagle Spirit also owns the entire issued share capital of Rosedale Kowloon, HMIL and Rosy.

The ES Sale Loan represents the aggregate amounts owing by Eagle Spirit to the ES Vendor as at the ES Completion Date. The amount of the ES Sale Loan as at the date of the Eagle Spirit Agreement was approximately HK$45.5 million. The amount of the ES Sale Loan as at the Latest Practicable Date was approximately HK$32.5 million.

For further details of the interests to be acquired under the Eagle Spirit Agreement, please refer to the paragraph headed "Information on the MS Group Entities and the ES Group Entities".

Consideration and payment terms:

The ES Consideration shall be determined in accordance with the following formula:

ES Consideration	=	HK$530 million
	+	40% of the consolidated ES Net Current Assets of More Star
	+	the ES Net Current Assets of Eagle Spirit
	+	the ES Net Current Assets of Rosedale Kowloon
	+	the consolidated ES Net Current Assets of HMIL
	+	the combined ES Net Current Assets of Rosy,

of which:

1. the portion of the ES Consideration attributable to the ES Sale Loan shall be equal to the face value of the ES Sale Loan on a dollar-for-dollar basis as at the ES Completion Date; and

2. the remaining balance of the ES Consideration shall be attributable to the ES Sale Share.

The ES Consideration shall be paid by the Purchaser to the ES Vendor upon ES Completion as to:

1. HK$250.0 million by way of issue of the ES Note; and

2. the balance in cash.

On ES Completion, the ES Consideration shall be determined based on the draft ES Completion Accounts prepared by the ES Vendor and the Purchaser shall, no later than thirty (30) days after the ES Completion, have the right to cause an audit of such draft ES Completion Accounts within two (2) months after the ES Completion Date. Upon finalisation of the ES Completion Accounts, any excess of the ES Consideration paid shall be returned to the Purchaser and any shortfall shall be paid by the Purchaser to the ES Vendor within ten (10) Business Days after the audited ES Completion Accounts is available, provided in any case, the ES Consideration shall not exceed HK$566.0 million.

Based on the audited consolidated statement of financial position of the Eagle Spirit Group as at 30th June, 2014 as contained in the accountants' report on the Eagle Spirit Group set out in Appendix IIC to this circular, the ES Consideration is estimated at approximately HK$503.8 million.

The ES Consideration was determined after arm's length negotiation between the Purchaser and the ES Vendor with reference to, among other things, the unaudited financial information of the ES Group Entities as at 31st December, 2013, the amount of the ES Sale Loan which was approximately HK$45.5 million as at the date of the Eagle Spirit Agreement and the valuation of the TKT Hotel of HK$1,285.0 million as at 31st March, 2014 conducted by an independent professional valuer. In addition, the Purchaser has also taken into account the growing prospects of the tourism industry in Hong Kong, which is more particularly described under the section headed "Reasons for and benefits of the Transactions" below. For the avoidance of doubt, the Rosedale Share Agreement has not been taken into account by the Company in the determination of the ES Consideration.

Conditions precedent:

Completion of the Eagle Spirit Agreement is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

(a) approval by the Rosedale Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules or the applicable laws, rules and regulations) of the Eagle Spirit Agreement and the transactions contemplated thereunder at the Rosedale SGM in compliance with the requirements of the Listing Rules has been obtained;

(b) written approval of the Shareholders or approval by the Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules or the applicable laws, rules and regulations) of the Eagle Spirit Agreement and the transactions contemplated thereunder at the SGM in compliance with the requirements of the Listing Rules has been obtained;

(c) the Purchaser being satisfied with the results of the due diligence review and investigation on each of the Eagle Spirit Group and the More Star Group;

(d) each of the warranties given by the ES Vendor in the Eagle Spirit Agreement is true and accurate in all material respects and not misleading as at the date of the Eagle Spirit Agreement and shall remain true and accurate in all material respects and not misleading as at the ES Completion Date;

(e) there is no material adverse change in the financial position of the Eagle Spirit Group and the More Star Group from 31st March, 2014 up to and as at the ES Completion Date; and

(f) Fortress State having given its consent in writing to the indirect disposal of Rosedale Kowloon under the Master Lease.

The Purchaser may at its absolute discretion at any time waive the above conditions (c), (d) and (e) by notice in writing to the ES Vendor. Neither the ES Vendor nor the Purchaser may waive the conditions (a), (b) and (f) above.

As at the Latest Practicable Date, the conditions (c) and (f) had been fulfilled. If any of the above conditions is not fulfilled on or before the ES Long Stop Date and/or the above conditions (c), (d) and (e) do not remain fulfilled (and are not waived by the Purchaser, acting reasonably) on the ES Completion Date, the rights and obligations of the parties under the Eagle Spirit Agreement shall lapse and be of no further effect except for antecedent breach.

Master Lease:

Upon the ES Completion, Rosedale Kowloon will become an indirect wholly-owned subsidiary of the Company. Rosedale Kowloon as lessee has entered into the Master Lease with Fortress State as lessor in relation to the lease of the TKT Hotel for hotel operation for a term of six (6) years after completion of the SHI Agreement. The completion of the SHI Agreement took place on 14th March, 2014 and the term of the Master Lease has commenced on 1st April, 2014. The rent payable by Rosedale Kowloon to Fortress State comprises monthly base rent and turnover rent as follows:

1. Monthly base rent represents the amount for each year as set out below divided by twelve (12):

		HK$'million
(i)	First year	64.0
(ii)	Second year	67.2
(iii)	Third year	70.4
(iv)	Fourth year	73.6
(v)	Fifth year	76.8
(vi)	Sixth year	80.0

2. For any year during the term of the Master Lease, in the event the gross revenue (all revenue and income of any kind derived from operations at the TKT Hotel) exceeds the threshold amount of such year, Rosedale Kowloon shall also pay a turnover rent in an amount equal to 60% of the difference between the gross revenue and the threshold amount for such year. For the avoidance of doubt, no turnover rent shall be payable for the year if the gross revenue of a year is equal to or less than the threshold amount for such year. Set out below is the threshold amount of each year:

		HK$'million
(i)	First year	140
(ii)	Second year	145
(iii)	Third year	150
(iv)	Fourth year	155
(v)	Fifth year	160
(vi)	Sixth year	165

The above rental is exclusive of, and Rosedale Kowloon shall be responsible for and shall pay all assessments, duties, charges, impositions and outgoings of an annual or recurring nature assessed, incurred, imposed or charged on or in respect of the TKT Hotel or upon the owner or occupier thereof by the government authority. Fortress State shall be responsible for all property tax, government rents and rates of the TKT Hotel during the term of the Master Lease.

ES-SHI Shareholders' Agreement:

Upon the ES Completion, Eagle Spirit will become an indirect wholly-owned subsidiary of the Company. Eagle Spirit has entered into the ES-SHI Shareholders' Agreement with SHI and More Star to regulate the rights and obligations between Eagle Spirit and SHI in respect of the management and operation of, and their respective interests in, the More Star Group. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, SHI and its ultimate beneficial owners are third parties independent of the Group and its connected persons and are not connected persons of the Company as at the date of the Eagle Spirit Agreement. The major provisions of the ES-SHI Shareholders' Agreement are set out below:

1. *Financing*

   The shareholders of More Star have no obligation to provide further finance to the More Star Group unless with their unanimous written consents.

2. *Appointment of directors*

   The board of directors of More Star and Fortress State shall consist of up to five (5) directors. SHI shall have the right to nominate and appoint up to three (3) directors and Eagle Spirit shall have the right to nominate and appoint up to two (2) directors.

3. *SHI Put Option and SHI Call Option*

   If a proposal is made by SHI or a director nominated by it in relation to (i) the leasing or licensing of the TKT Hotel as a whole to a party other than Rosedale Kowloon; or (ii) the appointment of any party other than Rosedale Kowloon as the operator or manager of the TKT Hotel, on or after the expiration or early termination of the Master Lease, and such proposal is not approved by Eagle Spirit within thirty (30) Business Days of all the material terms thereof having been provided to Eagle Spirit or the director(s) nominated by it, a deadlock (the "**Deadlock**") shall be deemed to have occurred and in such case, for a period of thirty (30) Business Days of the occurrence of the Deadlock (the "**Exit Period**"), SHI shall be entitled to serve a notice (the "**Exit Notice**") on Eagle Spirit either:

   (i) the SHI Put Option: to require Eagle Spirit to purchase all (and not part only) of the shares held by SHI in More Star and the total amount (which shall be all and not part only) of the shareholder's loans then owing by the More Star Group to SHI and its affiliated companies; or

   (ii) the SHI Call Option: to require Eagle Spirit to sell to SHI all (and not part only) of the shares held by Eagle Spirit in More Star and the total amount (which shall be all and not part only) of the shareholder's loans then owing by the More Star Group to Eagle Spirit and its affiliated companies,

   each at the Valuation Price provided that the obligation of Eagle Spirit to sell or, as the case may be, purchase the shares and shareholders' loans referred to above shall be conditional on the same being approved by the shareholders of its ultimate holding company and which is a company listed on the Stock Exchange, if required, and compliance with the Listing Rules by the ultimate holding company, such that if the said conditions are not fulfilled within ninety (90) days of the determination of the Valuation Price such Exit Notice shall be deemed void and of no further force and effect without any claim by any shareholders of More Star for such non-fulfillment.

If either no Exit Notice is served within the Exit Period or an Exit Notice has been served within the Exit Period but the conditions under the SHI Put Option or, as the case may be, the SHI Call Option are not fulfilled within the period therein provided, and at the end of the relevant period the Deadlock persists, any shareholder of More Star may at any time thereafter by written notice to the other shareholder of More Star request that Fortress State to dispose of the TKT Hotel to a third party with reference to the Valuation Price and thereafter More Star be liquidated whereupon its shareholders shall jointly procure that the relevant resolutions be passed to wind-up More Star as soon as practicable.

The SHI Put Option and the SHI Call Option would be inherited by the Group as a result of the acquisition of the ES Sale Share and the assignment of the ES Sale Loan. Each of the SHI Put Option and the SHI Call Option was not granted by the Company and/or Silver Infinite, being the purchaser under the Eagle Spirit Agreement. Upon ES Completion, the Company will become the ultimate holding company of Eagle Spirit. Accordingly, as referred to in the provisions of the ES-SHI Shareholders' Agreement, when the SHI Put Option or the SHI Call Option is being exercised, the obligation of Eagle Spirit to sell or, as the case may be, purchase the relevant shares and shareholders' loans shall be conditional on the same being approved by the Shareholders, if required, and compliance with the Listing Rules by the Company. Accordingly, the specific compliance requirements under the Listing Rules will depend on the notifiable transaction classification of the sale, or as the case may be, purchase transaction constituted by the exercise of the SHI Call Option or, as the case may be, the SHI Put Option, as at the date of the Exit Notice.

The ES Completion:

The ES Completion shall take place on the seventh (7th) Business Day after fulfillment (or waiver, if applicable) of the conditions precedent (a), (b) and (f) to the Eagle Spirit Agreement above, subject to all conditions precedent under the Eagle Spirit Agreement being fulfilled or waived (as the case may be), or such other date as the parties to the Eagle Spirit Agreement may agree in writing.

Upon the ES Completion, the Eagle Spirit Group will become indirect wholly-owned subsidiaries of the Company which results will be consolidated into the financial statements of the Company. The More Star Group will become associated companies of the Enlarged Group which results will be equity accounted for by the Enlarged Group.

Pursuant to the Eagle Spirit Agreement, ROHMI (as licensor) shall enter into the Licence Agreement with Rosedale Kowloon upon the ES Completion to grant a free but non-exclusive and non-transferrable licence to Rosedale Kowloon and companies under common control of

Rosedale Kowloon to use the Trademarks in relation to the operation of the TKT Hotel for a term commencing from the date of the ES Completion until 31st March, 2020, being expiry of the Master Lease.

THE MS NOTE AND THE ES NOTE

Both the MS Note and the ES Note shall be unsecured which principal terms are as follows:

Issuer:	the Company
Noteholders:	the MS Vendor for the MS Note and the ES Vendor for the ES Note or their respective nominees
Principal amounts:	HK$250.0 million for the MS Note and HK$250.0 million for the ES Note
Interest:	5% per annum payable semi-annually in arrear
Maturity:	two (2) years after the respective dates of issue of the MS Note and the ES Note, but the Company may prepay all or part of the outstanding principal amount (at the minimum amount of HK$5,000,000) at any time prior to the maturity date without any penalty, prepayment or other fees by giving the noteholders not less than seven (7) days' prior written notice together with all interest accrued on the amount to be prepaid
Transferability:	the noteholders are not entitled to assign the outstanding amount under the Notes or any of their rights, interests or benefits thereunder without the prior written consent of the Company

INFORMATION ON THE MS GROUP ENTITIES AND THE ES GROUP ENTITIES

RHGL (being the MS Vendor) is an indirect subsidiary of Rosedale in which Rosedale has 88.64% indirect interest while Easy Vision (being the ES Vendor) is a wholly-owned subsidiary of Rosedale. Both RHGL and Easy Vision are engaged in investment holding. Further information on the MS Group Entities and the ES Group Entities are set out below:

1. The MS Group Entities

RHGL owns the entire issued share capital of Makerston, an investment holding company incorporated in the BVI with limited liability which in turn owns the entire issued share capital of DS Eastin. DS Eastin is an investment holding company incorporated in Hong Kong with limited liability owning 20% of the paid-up capital of the PRC Company. The remaining 80% of the equity interest in the PRC Company is owned indirectly by CPVL. Save that Mr. Ma Chi Kong, Karl (who has resigned as a non-executive Director with effect from 17th April, 2013) is interested in more than 30% shareholding interest in CPVL, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, CPVL and its ultimate beneficial owners are third parties independent of the Group and its connected persons and are not connected persons of the Company as at the date of the Makerston Agreement.

The PRC Company is a sino-foreign joint venture entity established in the PRC with registered capital of US$86.0 million (representing approximately HK$666.5 million) as at the Latest Practicable Date. The PRC Company is principally engaged in hotel ownership and operation and its principal asset is the ownership of the Beijing Hotel. At present, the Beijing Hotel has a floor area of approximately 37,173 m^2 with 462 guestrooms and a shopping arcade. In January 2013, an approval for an extension of the Beijing Hotel by the Beijing Municipal Commission of Urban Planning was obtained. Pursuant to the Capital Increase Agreement, it was agreed that the maximum amount to be contributed by DS Eastin to the PRC Company in respect of such an extension shall not exceed RMB30.0 million (representing approximately HK$37.8 million). As part of the modification procedures for the said extension, the PRC company entered into a supplemental agreement (the "**Supplemental Agreement**") dated 9th June, 2014 with the Beijing Municipal Bureau of Land and Resources, whereby the additional premium payable by the PRC Company was agreed to be RMB67,420,150 and which has been paid by the PRC Company in June 2014 in accordance with the terms thereof from its cash on hand. Under the Supplemental Agreement, the total permissible floor area was increased to 54,780 m^2 (superstructure) and the land use was amended to commercial and finance (which covered the existing use for hotel) with a corresponding change of the term of the land use right from 50 years to 40 years. The PRC Company currently plans to develop a luxurious hotel tower accommodating a total of 250 guestrooms and additional conferencing facilities (the "**Extension Project**").

Prior to the completion of the Capital Increase Agreement on 29th November, 2013, the PRC Company was indirectly wholly-owned by Makerston and its results and assets were consolidated into the financial statements of Makerston. From 29th November, 2013 and onwards, as a result of the completion of the Capital Increase Agreement, Makerston's equity interest in the PRC Company was diluted from 100% to 20% and the PRC Company ceased to be a subsidiary of Makerston. Accordingly, the results and assets of the PRC Company were no longer consolidated into the financial statements of Makerston thereafter. Based on the audited financial information of Makerston, an one-off gain on deemed disposal of the PRC Company of approximately HK$656.2 million was recorded for the year ended 31st December, 2013. Set out below is the key audited consolidated financial information of the Makerston Group for the three years ended 31st December, 2013 and the six months ended 30th June, 2014 which has been extracted from, and should be read in conjunction with, the accountants' report on the Makerston Group set out in Appendix IIA to this circular:

	For the year ended 31st December, 2011	For the year ended 31st December, 2012	For the year ended 31st December, 2013	For the six months ended 30th June, 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Loss)/profit before taxation	(9,458)	(16,161)	640,446	(3,149)
(Loss)/profit after taxation	(5,737)	(10,771)	580,297	(3,149)

As at 30th June, 2014, being a date after completion of the Capital Increase Agreement, Makerston recorded an audited consolidated net asset value of approximately HK$645.0 million (which has not taken into account the Makerston Dividend).

Set out below is the key audited consolidated financial information of the PRC Company for the three years ended 31st December, 2013 and the six months ended 30th June, 2014 which has been extracted from, and should be read in conjunction with, the accountants' report on the PRC Company set out in Appendix IIB to this circular:

	For the year ended 31st December, 2011	For the year ended 31st December, 2012	For the year ended 31st December, 2013	For the six months ended 30th June, 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loss before taxation	(17,770)	(23,903)	(29,162)	(10,032)
Loss after taxation	(14,050)	(18,513)	(22,113)	(7,610)

As at 30th June, 2014, the PRC Company recorded an audited net asset value of approximately HK$781.4 million. The Beijing Hotel is valued at HK$1,300.0 million on 30th September, 2014 based on the valuation report on the Beijing Hotel set out in Appendix III to this circular which has taken into account the existing business operations of the Beijing Hotel and the development of the Extension Project and has assumed the term of the land use right will expire on 21st November, 2044, i.e. 50 years from the date of the State-owned Land Use Right Certificate which was issued on 22nd November, 1994. As the Supplemental Agreement states only that the term of the land use right is 40 years without specifying the commencement date of the revised term of the land use right, this remains to be clarified with the relevant government authorities. Based on the enquiry with CPVL, the controlling shareholder of the PRC Company who handles the negotiation with the relevant government authorities in this respect, the expiry of the revised term of the land use right is expected to be at a date on or beyond 21st November, 2044. As referred to in the footnote no. 9 of the valuation report of the Beijing Hotel included in Appendix III to this circular, in case the land use right term is expiring on 21st

November, 2034 (instead of 21st November, 2044), the valuation of the Beijing Hotel would be HK$1,120 million (representing a reduction of HK$180 million from the stated valuation of HK$1,300 million or a reduction attributable to the MS Sale Share of HK$36 million). In the event that expiry of the land use right term of the Beijing Hotel is fixed at a date beyond 21st November, 2044, assuming other things remain unchanged, it is expected that the valuation of the Beijing Hotel would be no lower than the stated value of HK$1,300 million. If there is any material adverse change in the valuation of the Beijing Hotel due to the finalization of the expiry date of its revised land use right term, the Company will make further announcement in this respect in compliance with the Listing Rules.

2. The ES Group Entities

Easy Vision owns the entire issued share capital of Eagle Spirit, which is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, Eagle Spirit owns 40% of the issued share capital of More Star, an investment holding company incorporated in the BVI with limited liability which in turn owns the entire issued share capital of Fortress State. Fortress State is a company incorporated in Hong Kong with limited liability and is the owner of the TKT Hotel. The TKT Hotel is a 4-star rated hotel located at No. 86 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong and currently known as "***Rosedale Hotel Kowloon***" with a gross floor area of approximately 10,300 m^2 and 435 guestrooms.

Eagle Spirit also owns the entire issued share capital of Rosedale Kowloon, HMIL and Rosy. Rosedale Kowloon is a company incorporated in Hong Kong with limited liability and is the lessee and operator of the TKT Hotel, which details are set out in the paragraph headed "Master Lease" above. HMIL is an investment holding company incorporated in the BVI with limited liability which owns the entire issued share capital of RCL (which is a food and beverage operator). Rosy is an investment holding company incorporated in the BVI with limited liability which in turn owns the entire issued share capital of RHMIL and RGML respectively. RHMIL is a company incorporated in the BVI with limited liability and its principal activities are the provision of hotel management and consultancy services. RGML is a company incorporated in Hong Kong with limited liability and it is principally engaged in the provision of corporate management and secretarial services.

On 14th March, 2014, Eagle Spirit completed the disposal of 60% of the issued share capital of More Star to SHI. Prior to the completion of such disposal, More Star was wholly-owned by Eagle Spirit and its results and assets were consolidated into the financial statements of Eagle Spirit. From 14th March, 2014 and onwards, as a result of the completion of the disposal, Eagle Spirit's equity interest in More Star was diluted from 100% to 40% and More Star ceased to be a subsidiary of Eagle Spirit. Accordingly, the results and assets of the More Star Group were no longer consolidated into the financial statements of Eagle Spirit thereafter. In addition, each of Rosedale Kowloon, the HMIL Group and the Rosy Group were fellow subsidiaries of Eagle Spirit prior to completion of the aforesaid disposal. Set out below is the key audited consolidated financial information of the Eagle Spirit Group for the three years ended 31st December, 2013 and the six months ended 30th June, 2014 which has been extracted from, and should be read in conjunction with, the accountants' report on the Eagle Spirit Group set out in Appendix IIC to this circular:

	For the year ended 31st December, 2011	For the year ended 31st December, 2012	For the year ended 31st December, 2013	For the six months ended 30th June, 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	18,880	14,581	33,353	470,589
Profit after taxation	17,502	13,118	31,839	469,832

As at 30th June, 2014, the Eagle Spirit Group recorded an audited consolidated net assets of approximately HK$446.4 million.

For the avoidance of doubt, the audited financial information of the More Star Group as disclosed above has been fully consolidated into the financial information of the Eagle Spirit Group prior to 14th March, 2014, being the date of completion of the SHI Agreement.

As at the Latest Practicable Date and since the issue of the TKT Hotel Licence in May 2013, Rosedale Kowloon has been managing and operating the TKT Hotel. Upon the ES Completion, through the Master Lease, the Enlarged Group shall continue to operate and manage the TKT Hotel. Set out below is the key financial information of Rosedale Kowloon for the period from 26th May, 2011 (date of incorporation) to 31st December, 2011, the two years ended 31st December, 2013 and the six months ended 30th June, 2014 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the period from 26th May, 2011 (date of incorporation) to 31st December, 2011	For the year ended 31st December, 2012	For the year ended 31st December, 2013	For the six months ended 30th June, 2014
	(audited)	(audited)	(audited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Loss)/profit before taxation	(843)	(2,211)	1,420	(3,719)
(Loss)/profit after taxation	(843)	(2,211)	1,420	(3,719)

As at 30th June, 2014, Rosedale Kowloon recorded an unaudited net liabilities of approximately HK$5.4 million.

In respect of the More Star Group, in which the Enlarged Group will be indirectly beneficially interested in 40% upon the ES Completion, the key audited consolidated financial information of More Star for the three years ended 31st December, 2013 and the six months ended 30th June, 2014 which has been extracted from, and should be read in conjunction with, the accountants' report on More Star set out in Appendix IID to this circular are summarised below:

	For the year ended 31st December, 2011	**For the year ended 31st December, 2012**	**For the year ended 31st December, 2013**	**For the six months ended 30th June, 2014**
	HK$'000	*HK$'000* *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000* *(Note 2)*
(Loss)/profit before taxation	(183)	485,041	19,422	12,595
(Loss)/profit after taxation	(183)	485,041	17,094	10,516

Notes:

1. The profit before and after taxation for the year included the gain from increase in the fair value of the TKT Hotel, which was accounted for as an investment property in the audited consolidated financial statements of More Star, of approximately HK$472.8 million. Such gain from increase in the fair value was reversed upon consolidation by Eagle Spirit since the TKT Hotel was accounted for as property, plant and equipment in the audited consolidated financial statements of Eagle Spirit.

2. The profit before and after taxation for the year ended 31st December, 2013 and the six months ended 30th June, 2014 included the rental income of approximately HK$52.0 million and HK$32.0 million respectively, received from Rosedale Kowloon which was eliminated as an inter-company transaction upon consolidation by Eagle Spirit.

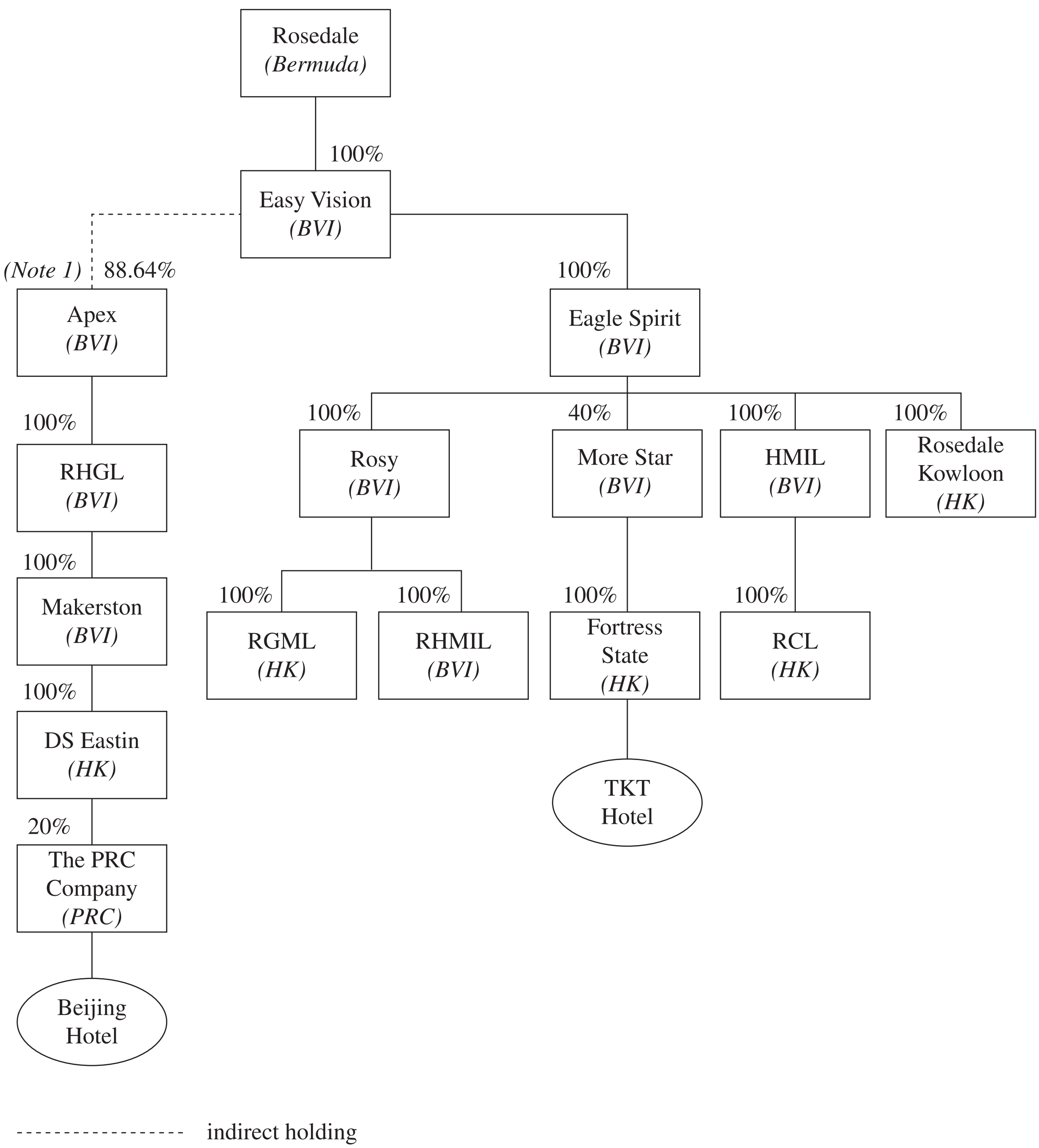
As at 30th June, 2014, More Star recorded an audited consolidated net asset value of approximately HK$511.8 million.

The TKT Hotel is valued at HK$1,285.0 million on 30th September, 2014 based on the valuation report on the TKT Hotel set out in Appendix III to this circular.

STRUCTURE OF THE MS GROUP ENTITIES AND THE ES GROUP ENTITIES

The following chart illustrates the structure of the MS Group Entities and the ES Group Entities as at the Latest Practicable Date and immediately after the Completion:

As at the Latest Practicable Date

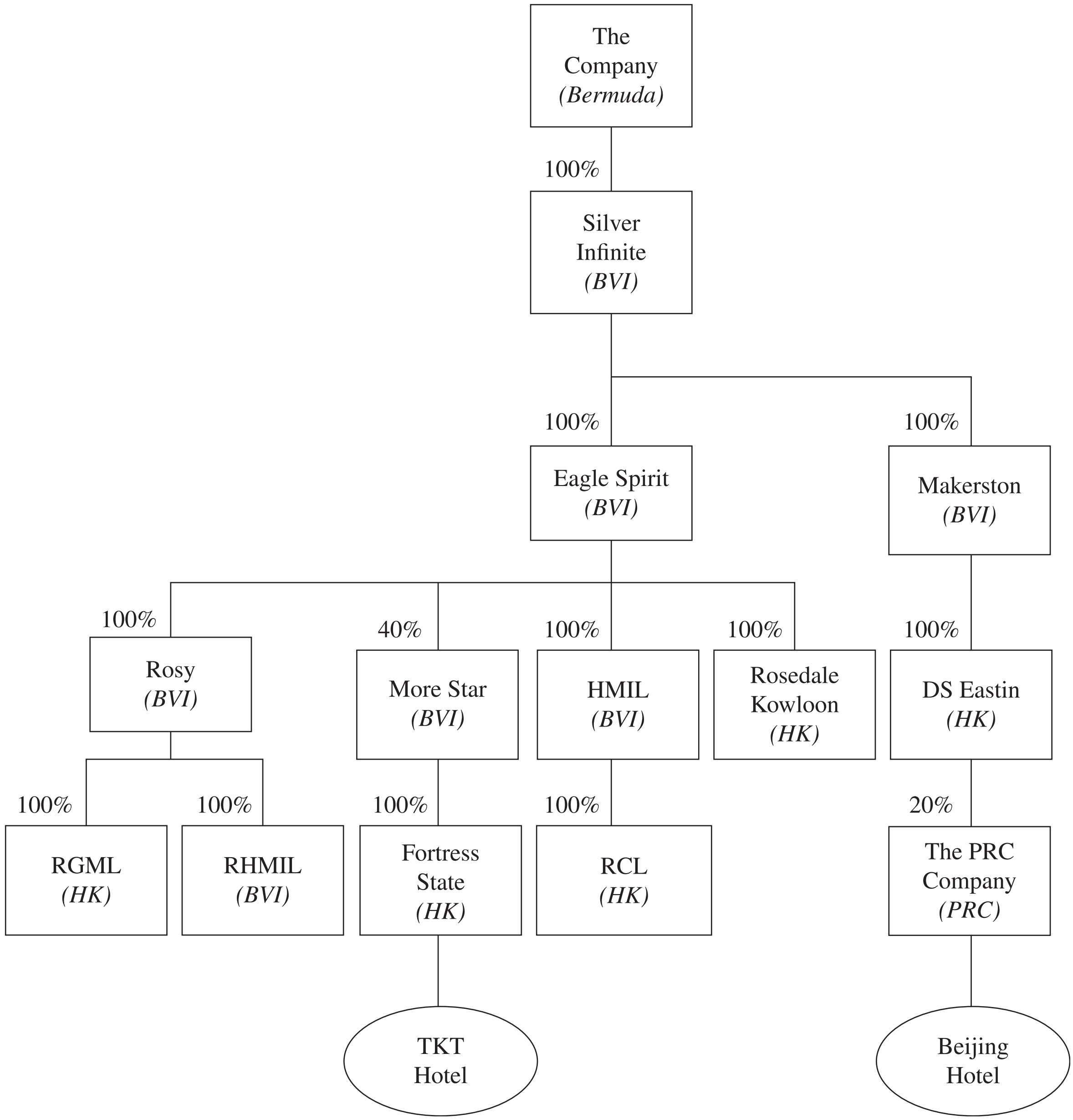


Notes:

1. The ES Vendor directly held approximately 5.5% and indirectly held approximately 83.14% of Apex.

2. Places in parentheses represent places of incorporation.

Immediately after the completion of both the Makerston Agreement and the Eagle Spirit Agreement



Note: Places in parentheses represent places of incorporation.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Company is an investment holding company and its subsidiaries are principally engaged in property development and investment in Macau, the PRC and Hong Kong. The Group is also engaged in the development and investments of golf resort and leisure operations in the PRC, securities investments and the provision of loan financing services.

The Group has been engaged in resort and catering services in the PRC for a number of years. Recently, the Group has purchased the land use right in a parcel of land situated at Sanya City, Hainan Province, the PRC for hotel development. Another hotel development in Moreton Terrace, Causeway Bay, Hong Kong is under construction which completion is expected in 2015. In light of the growing prospects of the tourism industry, the Group has been actively looking for other investment opportunities to expand its resort and catering services. The acquisitions of partial interests in the Beijing Hotel and the TKT Hotel are good opportunities to extend the Group's hospitality business. In particular, through the Master Lease, the Group will manage and operate the TKT Hotel in Hong Kong upon completion of the Eagle Spirit Agreement. In respect of the Hong Kong tourism industry, the annual visitor arrivals for 2013 reached a record-high of approximately 54.3 million, representing a growth of approximately 11.7% as compared to 2012, according to the Hong Kong Government. The Hong Kong Tourism Board expected the visitor arrivals may further increase in 2014. Based on Hong Kong Tourism Board, the total tourism expenditure associated to inbound tourism increased by approximately 15.7% in 2013 as compared to 2012. Among the overnight visitors' total spending, hotel bills accounted for approximately 18.4% and amounted to approximately HK$18.1 billion for the first half of 2013, representing an increase of approximately 4.0% in monetary terms as compared to the corresponding period in 2012.

For Beijing, the capital city of the PRC, according to the Beijing Municipal Commission of Tourism Development, it recorded total tourism receipts of approximately RMB396.0 billion (representing approximately HK$499.0 billion) for 2013, representing an increase of approximately 9.3% as compared to that of 2012. The said commission also announced at its annual meeting in February 2014 that the Beijing government will further establish Beijing as a world-class main line city by improving inbound tourism market and promoting city image and public environment. In addition, the acquisition of the Eagle Spirit Group will bring in to the Group a well-established management team with expertise and experience in this field covering city and business hotel management. Synergy can be gained to enhance the overall quality of the services provided which will in turn increase the intrinsic values of the resort and hotel properties held by the Group.

As described under the paragraph headed "The MS Group Entities" above, the valuation of the Beijing Hotel may be lower or higher than that set out in the valuation report set out in Appendix III upon the finalization of the term of the land use right with the relevant government authorities. The Makerston Agreement does not provide for any adjustment of the MS Consideration due to such change. However, if the land use right term of the Beijing Hotel is expiring on 21st November, 2034 as described under the paragraph headed "The MS Group Entities" above, as advised by the independent valuer, the valuation of the Beijing Hotel may be lowered to HK$1,120 million (20% of which represents a discount of approximately 12.5% to the MS Consideration of HK$256 million before taking into account of adjustments in relation to the MS Net Current Assets and land premium paid by the PRC Company). Nevertheless, having taken into account of the factors described above, the Directors (excluding Mr. Cheung, Mr. Chan FY, Mr. Chan YL, Mr. Shek and Mr. Kwok) consider that the entering into of the Agreements (including the transactions contemplated thereunder) is in the interests of the Company and the Shareholders as a whole and that the terms of the Agreements are fair and reasonable.

It is intended that the payment of the cash portion of the Consideration upon the MS Completion and the ES Completion respectively shall be financed by internal resources and/or borrowings of the Group.

FINANCIAL EFFECTS OF THE TRANSACTIONS

As stated above, each of the Makerston Agreement and the Eagle Spirit Agreement is not inter-conditional on each other. Therefore, the MS Completion might take place without the ES Completion having taken place, or vice versa, or both MS Completion and ES Completion take place. Set out below are the financial effects of the Transactions illustrating the financial effects on the Group if (i) only MS Completion takes place; (ii) only ES Completion takes place; and (iii) both MS Completion and ES Completion take place.

If only MS Completion takes place

Assets and liabilities

As illustrated in the unaudited pro forma consolidated statement of financial position of the Group as enlarged by the MS Completion and/or the ES Completion set out in Appendix IV to this circular, if the MS Completion had taken place on 31st March, 2014, upon MS Completion, the Group as enlarged by the MS Completion would record (i) an increase in total assets of approximately HK$279.8 million to approximately HK$5,679.0 million; (ii) an increase in total liabilities of approximately HK$283.8 million to approximately HK$1,946.4 million; and (iii) a decrease in net assets attributable to the Shareholders of approximately HK$4.0 million to approximately HK$3,733.9 million. The increase in total assets is principally due to the consolidation of the assets of the Makerston Group which mainly comprises of its 20% indirect interest in the PRC Company, while the increase in total liabilities is principally due to the issue of the MS Note as partial settlement of the MS Consideration.

Earnings

As illustrated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group as enlarged by the ES Completion and/or the MS Completion set out in Appendix IV to this circular, if the MS Completion had taken place on 1st April, 2013, the unaudited pro forma consolidated profit attributable to the Shareholders would be increased by approximately HK$548.1 million to a profit of approximately HK$934.9 million for the year ended 31st March, 2014. The increase in profit was principally attributable to the recording of gain on disposal of subsidiaries of approximately HK$656.2 million mainly arouse from the completion of the Capital Increase Agreement. Accordingly, further information is presented in note 10 of scenario I of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group as enlarged by the ES Completion and/or the MS Completion to illustrate the financial effect assuming the completion of the Capital Increase Agreement had taken place prior to 1st January, 2013, and based on which the unaudited pro forma consolidated profit attributable to the Shareholders would be decreased by approximately HK$28.6 million to a profit of approximately HK$358.3 million for the year ended 31st March, 2014. The decrease in profit is principally due to:

(a) portion of the MS Consideration would be satisfied by the issuance of the MS Note in the principal amount of HK$250.0 million which fair value is measured, by an independent professional valuer, at the present value of contractual future cash flows discounted at the effective interest rate of 13% per annum (the "**MS Imputed Interest Rate**"). Thus, there is an interest expense of approximately HK$28.2 million, of which HK$12.5 million attributable to the coupon rate of the MS Note calculated at 5% per annum and approximately HK$15.7 million attributable to the premium of the MS Imputed Interest Rate over this coupon rate. This adjustment should take effect over the term of the MS Note, i.e. two (2) years after its date of issue; and

(b) there is a loss of approximately HK$3.2 million from the consolidation of the results of the Makerston Group which mainly represents the share of the results of 20% interest in the PRC Company as an associated company. This adjustment should be recurring in nature which amount is mainly dependent on the operation and development of the Beijing Hotel.

If only ES Completion takes place

Assets and liabilities

As illustrated in the unaudited pro forma consolidated statement of financial position of the Group as enlarged by the MS Completion and/or the ES Completion as set out in Appendix IV to this circular, if the ES Completion had taken place on 31st March, 2014, the Group as enlarged by the ES Completion would record (i) an increase in total assets of approximately HK$263.1 million to approximately HK$5,662.4 million; (ii) an increase in total liabilities of approximately HK$267.1 million to approximately HK$1,929.8 million; and (iii) a decrease in net assets attributable to the Shareholders of approximately HK$4.0 million to approximately HK$3,733.9 million. The increase in total assets is principally due to the consolidation of the Eagle Spirit Group which mainly comprises of the 40% indirect interest in Fortress State, while the increase in total liabilities is principally due to the issue of the ES Note as partial settlement of the ES Consideration.

Earnings

As illustrated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group as enlarged by the MS Completion and/or the ES Completion set out in Appendix IV to this circular, if the ES Completion had taken place on 1st April, 2013, the unaudited pro forma consolidated profit attributable to the Shareholders would be decreased by approximately HK$0.4 million to a profit of approximately HK$386.5 million for the year ended 31st March, 2014. Such financial effect has taken into account of the full consolidation of results of the More Star Group prior to the completion of the SHI Agreement. Accordingly, further information is presented in note 9 of scenario II of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group as enlarged by the ES Completion and/or the MS Completion to illustrate the financial effect assuming the completion of the SHI Agreement had taken place prior to 1st January, 2013, and based on which the unaudited pro forma consolidated profit attributable to the Shareholders would be decreased by approximately HK$11.0 million to a profit of approximately HK$375.9 million for the year ended 31st March, 2014. The decrease in profit is principally due to:

(a) portion of the ES Consideration would be satisfied by the issuance of the ES Note in the principal amount of HK$250.0 million which fair value is measured, by an independent professional valuer, at the present value of contractual future cash flows discounted at the effective interest rate of 13% per annum (the "**ES Imputed Interest Rate**"). Thus, there is an interest expense of approximately HK$28.2 million, of which HK$12.5 million attributable to the coupon rate of the ES Note calculated at 5% per annum and approximately HK$15.7 million attributable to the premium of the ES Imputed Interest Rate over this coupon rate. This adjustment should take effect over the term of the ES Note, i.e. two (2) years after its date of issue; and

(b) partially offset by the profit of approximately HK$21.3 million from the consolidation of the results of the Eagle Spirit Group. This adjustment should be recurring in nature which amount is mainly dependent on the operation of Rosedale Kowloon as the lessee of the TKT Hotel and share of results from the 40% indirect interest in Fortress State as the owner of the TKT Hotel.

If both MS Completion and ES Completion take place

Assets and liabilities

As illustrated in the unaudited pro forma consolidated statement of financial position of the Group as enlarged by the MS Completion and/or the ES Completion as set out in Appendix IV to this circular, if both the MS Completion and the ES Completion had taken place on 31st March, 2014, the Enlarged Group would record (i) an increase in total assets of approximately HK$547.0 million to approximately HK$5,946.2 million; (ii) an increase in total liabilities of approximately HK$551.0 million to approximately HK$2,213.6 million; and (iii) a decrease in net assets attributable to the Shareholders of approximately HK$4.0 million to approximately HK$3,733.9 million. The increase in total assets is principally due to the consolidation of the Makerston Group and the Eagle Spirit Group, while the increase in total liabilities is principally due to the issue of the Notes as partial settlement of the Consideration.

Earnings

As illustrated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group as enlarged by the MS Completion and/or the ES Completion set out in Appendix IV to this circular, if the MS Completion and the ES Completion had taken place on 1st April, 2013, the unaudited pro forma consolidated profit attributable to the Shareholders would be increased by approximately HK$551.7 million to a profit of approximately HK$938.6 million for the year ended 31st March, 2014. The increase in profit was principally attributable to the recording of gain on disposal of subsidiaries of approximately HK$656.2 million mainly arouse from the completion of the Capital Increase Agreement and the full consolidation of results of the More Star Group prior to the completion of the SHI Agreement. Accordingly, further information is presented in note 7 of scenario III of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group as enlarged by the ES Completion and/or the MS Completion to illustrate the financial effect assuming the completion of the Capital Increase Agreement and the SHI Agreement had taken place prior to 1st January, 2013, and based on which the unaudited pro forma consolidated profit attributable to the Shareholders would be decreased by approximately HK$35.6 million to a profit of approximately HK$351.3 million for the year ended 31st March, 2014. The decrease in profit is principally due to:

(a) portion of the MS Consideration and the ES Consideration would be satisfied by the issuance of the MS Note and the ES Note each in the principal amount of HK$250 million which fair values are measured, by an independent professional valuer, at the present value of contractual future cash flows discounted at the effective interest rate of 13% per annum (the "**Imputed Interest Rate**"). Thus, there is an interest expense of approximately HK$56.4 million, of which HK$25.0 million attributable to the coupon rate of the Notes calculated at 5% per annum and approximately HK$31.4 million attributable to the premium of the Imputed Interest Rate over this coupon rate. This adjustment should take effect over the term of the Notes, i.e. two (2) years after their date of issue; and

(b) partially offset by the profit of approximately HK$21.3 million from the consolidation of the results of the Eagle Spirit Group. This adjustment should be recurring in nature.

For details of the unaudited pro forma consolidated financial information on the Enlarged Group and its basis of preparation, please refer to Appendix IV to this circular.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Transactions exceed 100% in aggregate, the Transactions collectively constitute very substantial acquisitions for the Company under Chapter 14 of the Listing Rules. The Agreements and the transactions contemplated thereunder are therefore subject to the approval by the Shareholders at the SGM by way of poll. The SGM will be convened and held for the Shareholders to consider and if thought fit, pass the proposed ordinary resolutions to approve the Agreements and the transactions contemplated thereunder.

As at the Latest Practicable Date, ITCC beneficially held 195,706,000 shares in Rosedale (representing approximately 29.76% of the issued share capital of Rosedale) and Dr. Chan Kwok Keung, Charles (being the controlling shareholder of ITCC) held 1,132,450 shares in Rosedale (representing approximately 0.17% of the issued share capital of Rosedale). In addition, the Company has been informed by ITCC that, on 11th April, 2014, it has entered into the Rosedale Share Agreement in respect of the proposed disposal of the entire issued share capital of a wholly-owned subsidiary of ITCC (which in turn, indirectly held the Relevant Rosedale Shares) to a wholly-owned subsidiary of Hanny. As referred to in the announcement of ITCC dated 23rd April, 2014, the completion of the Rosedale Share Agreement is conditional on the completion of the Makerston Agreement and the Eagle Spirit Agreement. Accordingly, ITCC is considered to have a material interest in the Transactions. ITCC and its close associates, and ITCC's directors (who hold any Shares) will abstain from voting in respect of the proposed ordinary resolutions to approve the Agreements and the transactions contemplated thereunder at the SGM. Dr. Chan Kwok Keung, Charles (by virtue of his being the controlling shareholder of ITCC) and his spouse will also abstain from voting in respect of the resolutions approving the Agreements and the transactions contemplated thereunder at the SGM. As at the Latest Practicable Date, ITCC beneficially held 237,210,438 Shares (representing approximately 31.12% of the issued share capital of the Company); Dr. Chan Kwok Keung, Charles and his spouse beneficially held 165,624,613 Shares in aggregate (representing approximately 21.73% of the issued share capital of the Company); and ITCC's directors, other than Dr. Chan Kwok Keung, Charles, Mr. Chan FY and Mr. Chan YL, beneficially held 11,714,244 Shares in aggregate (representing approximately 1.54% of the issued share capital of the Company).

By virtue of the information as set out under the paragraphs headed "Parties" under each of the sections headed "The Makerston Agreement" and "The Eagle Spirit Agreement" above, Mr. Cheung, Mr. Chan FY and Mr. Chan YL have not attended whereas Mr. Shek and Mr. Kwok have abstained from voting on the relevant resolutions approving the entering into of the Agreements in the meeting of the Board. Mr. Cheung, Mr. Chan FY, Mr. Chan YL, Mr. Shek (who held no Shares) and Mr. Kwok, beneficially held 50,049,394 Shares in aggregate as at the Latest Practicable Date (representing approximately 6.57% of the issued share capital of the Company) will also abstain from voting in respect of the resolutions approving the Agreements and the transactions contemplated thereunder at the SGM.

SGM

The SGM, the notice of which is set out on pages SGM-1 to SGM-3 of this circular, will be held at Gemini Room, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Monday, 1st December, 2014 at 2:30 p.m., to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder. The voting on the ordinary resolutions will be taken by way of poll.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Agreements are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommended the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Agreements and the transactions contemplated thereunder.

GENERAL INFORMATION

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

Yours faithfully,
For and on behalf of
ITC Properties Group Limited
Cheung Hon Kit
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Company for each of the three years ended 31st March, 2012, 2013 and 2014 respectively are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.itcproperties.com) respectively:

— annual report of the Company for the year ended 31st March, 2012 published on 13th July, 2012 (pages 50 to 161);

— annual report of the Company for the year ended 31st March, 2013 published on 12th July, 2013 (pages 52 to 185); and

— annual report of the Company for the year ended 31st March, 2014 published on 15th July, 2014 (pages 57 to 208).

2. WORKING CAPITAL OF THE ENLARGED GROUP

The Directors are of the opinion that, after taking into account of its presently available financial resources, including funds internally generated from operation, the available banking facilities and the Consideration, the Enlarged Group will have sufficient working capital for its business for the next twelve (12) months from the date of this circular in the absence of unforeseen circumstances.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31st March, 2014, being the date to which the latest audited financial statements of the Group were made up.

4. INDEBTEDNESS

The Group

(a) Borrowings

At the close of business on 30th September, 2014, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had secured and guaranteed bank borrowings of approximately HK$262.8 million and unsecured and unguaranteed loan notes of approximately HK$233.0 million. In addition, the Group had outstanding secured and unguaranteed obligations under finance leases of approximately HK$0.4 million as at that date.

The Group's bank borrowings and obligations under finance leases were secured by legal charges over the following assets of the Group:

(i) investment properties with a carrying value of approximately HK$131.0 million;

(ii) stock of properties with a carrying value of approximately HK$151.3 million;

(iii) investment properties under development with a carrying value of approximately HK$270.8 million; and

(iv) property, plant and equipment with a carrying value of approximately HK$213.0 million.

(b) Contingent liabilities and guarantees

As at 30th September, 2014, the Company has provided a corporate guarantee for loan facilities of HK$625.0 million, representing 100% of the loan facilities granted to certain subsidiaries of a joint venture, in which the Group has a 50% equity interest. The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which HK$436.4 million has been utilised by the subsidiaries of the joint venture as at 30th September, 2014. A 50% counter-indemnity was obtained from the ultimate holding company of the owner of the remaining 50% of the joint venture in relation to the corporate guarantee provided. In addition, the Company provided corporate guarantee on a several basis to the extent of HK$21.0 million in respect of banking facilities granted to another joint venture, in which the Group owned a 50% equity interest.

Save as disclosed above and otherwise in this circular, and apart from intra-group liabilities, as of 30th September, 2014, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt instruments, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30th September, 2014.

The Makerston Group

(a) Borrowings

At the close of business on 30th September, 2014, being the latest practicable date for the purpose of ascertaining the indebtedness of the Makerston Group prior to the printing of this circular, the Makerston Group did not have any outstanding bank borrowings.

(b) Contingent liabilities

Apart from intra-group liabilities, the Makerston Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt instruments, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantee or other material contingent liabilities at the close of business on 30th September, 2014.

The Eagle Spirit Group

(a) Borrowings

At the close of business on 30th September, 2014, being the latest practicable date for the purpose of ascertaining the indebtedness of the Eagle Spirit Group prior to the printing of this circular, the Eagle Spirit Group did not have any outstanding bank borrowings.

(b) Contingent liabilities

Apart from intra-group liabilities, the Eagle Spirit Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt instruments, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantee or other material contingent liabilities at the close of business on 30th September, 2014.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon Completion, the Enlarged Group will continue to be engaged in the business of property development, investment and provision of hospitality services in Macau, Hong Kong and the PRC, the securities investment and provision of financial services. The Transactions widen the Group's provision of hospitality services from golf and leisure related businesses to operations of city hotels.

There are continuing improvements in the economic outlook of certain substantial countries including the United States of America where tapering of quantitative easing programme has been commenced. Steady but comparatively slow growth is expected for the global economy, including the PRC. With the uncertain outcome of the tapering measure and accelerating political confrontations among nations, there are still many challenges ahead for the global economy.

After the rapid growth in past years, growth in gross domestic product ("**GDP**") of Macau for the first half year of 2014 moderates to 10.2% and continues to be one of the fastest growing economies in the region with unemployment rate stays below 2.0% driven by the resilient gaming and tourism sectors. Since real estates are the major investment target of the local residents and there is shortage in supply, the property price continues to rise as the household income increases. Purchasing power focuses on the first-hand properties while transactions in the second-hand market remain quiet. The Group is well-positioned to share the enormous gain from its associated company, Empresa De Fomento Industrial E Comercial Concórdia, S.A. as the construction of One Oasis will be completed by phases in the coming years.

The Hong Kong property market remains stagnant due to the influence of the tax measures implemented by the Hong Kong Government and is dominated by first-hand properties sales. The developers become more conservative in their pricing policies. While the stringent measures will be effective in curbing short-term and foreign demand, with housing supply still lagging behind, low interest rate environment in the coming years and steady local demand, the Group remains positive about the local property market. However, the Group will be cautious in committing new property investments in Hong Kong.

As described in details in the paragraphs headed "Reasons for and benefits of the Transactions" included in the Letter from the Board, the hotel industry in Hong Kong and Beijing shall continue to prosper. The Transactions will enable the Enlarged Group to extend its hospitality business to major cities including Hong Kong and Beijing. In particular, the operation of the TKT Hotel shall contribute recurring revenue and profit to the Enlarged Group. The Transactions also bring in an expert team in hotel management which will instantly benefit the hotels development of the Group in Causeway Bay and Sanya as well as their future operations. The Enlarged Group will continue to look for good opportunities to expand its hospitality business.

Barring unforeseen circumstances, the Group is confident in getting over the challenges ahead and capturing future gains from its investment portfolio.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the management discussion and analysis of the Group as extracted from the annual reports of the Company for each of the three financial years ended 31st March, 2014 (the "**Management Discussion and Analysis**"). Terms used below shall have the same meanings as those defined in the Management Discussion and Analysis. Furthermore, all pages/sections/appendices mentioned in the below text are referred to in those of the Management Discussion and Analysis.

For the year ended 31st March, 2014

BUSINESS REVIEW

Turnover for the year ended 31st March, 2014 was HK$58.0 million, an increase of HK$22.5 million when compared to last year of HK$35.5 million, mainly due to more activities in securities trading during the year. Gross profit increased from HK$2.8 million last year to HK$5.0 million for current year.

On 1st August, 2013, the Group completed the disposal of its entire interest in the property situated at Nos. 703 and 705, Nathan Road, Mongkok, Kowloon (the "**Nathan Road Property**") and recognised a gain of HK$146.0 million. Since there is no longer any valuation gain from the Nathan Road Property, the Group has recognised a decrease in fair value of investment properties of HK$2.1 million as compared with the corresponding amount of increase in fair value of HK$141.6 million last year. There was a net gain on financial instruments of HK$88.3 million during the year as compared with HK$11.9 million last year due to better price performance of the Group's investment portfolio.

The Group also recognised a gain of HK$69.8 million during the current year upon completion of disposal of its interest in a joint venture which invests in various Renminbi-denominated creditors' claims and securities held by various vendors against Guangdong International Trust and Investment Corporation. In addition, the Group recognised a gain of

HK$413.7 million during the current year upon losing control of ITC Golf & Leisure Group Limited which, before the transaction, indirectly held 55% effective interest in the golf resort and hotel (the "**Sanya Golf**") in Yalong Bay, Sanya City, the PRC.

Since most of the Group's projects approached their peak stage of development, additional staff and consultants were employed to cope with the corresponding workload. As a result, as compared with last year, there was a considerable increase in administrative expenses of HK$41.7 million. As there was no contribution from Concordia (as defined below) in the current year for its property sale, the Group's share of losses of associates amounting to HK$35.1 million mainly represented share of the associates' administrative expenses since most of their investment projects were still at the development stages. The Group's share of losses of joint ventures increased to HK$54.5 million was mainly attributable to share of operating results of the Sanya Golf since it became a joint venture of the Group in May 2012. Since there is no longer any profit from the discontinued operation for the year as compared with that recorded in the same period last year of approximately HK$442.0 million representing mainly the gain from the loss of control over in the Sanya Golf, the Group recorded a profit for the year of HK$386.3 million as compared to HK$578.3 million same period last year.

Property

Macau:

The construction works and presales of the residential project in Cotai South, Macau, named "One Oasis" ("**One Oasis**") by Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("**Concordia**"), in which the Group has 35.5% effective interest, are progressing as planned. Occupation permits for Blocks 1 to 5 together with ancillary car parking spaces, which presale has secured a gross proceed of HK$6,300 million, have been obtained in June 2014. Upon completion of the sale of this phase 1, the Group expects recognition of share of significant profit from Concordia during the six months ending 30th September, 2014. In this respect, in addition to the final dividend of HK16 cents per ordinary share of the Company (the "**Share(s)**"), the board of the directors of the Company (the "**Board**") is pleased to propose a special dividend of HK30 cents per Share.

Completion of the construction work for phase 2 (including 4 residential blocks) is expected around end of 2014. Upon completion of the sale of phase 2, Concordia will further recognise and the Group will further share significant profits and substantial cash receipts from the payment of the balance of property price. At present, all typical units in Towers 1 to 12, special units in Towers 1 to 7 and most car parking spaces of phase 1 have been pre-sold. The next marketing activity will be for the special units in Towers 8 to 12 (around the 4th quarter of 2014). Presales of the next phases will be subject to the new implementation of the enactments that unfinished flats in Macau can only be presold after fulfillment of certain conditions. Following the huge success of presale achieved, more effort will be put to further upgrade the design and brand-affiliation of the remaining phases as to optimise the sale value.

Hong Kong:

During the current year, the Group has also acquired further 20% interest in an associate which holds the property interest in basement floor, ground floor, first floor of Golden Centre at No. 94, Yen Chow Street, Sham Shui Po, Kowloon (the "**Golden Centre**") such that the Group became the largest shareholder holding 50% interest in this associate. Improvement works will be carried out to reposition this shopping arcade as an IT hub.

Other development projects of the Group in Hong Kong are progressing well as planned. More than 80% of the units of the residential development situated at No. 33 Tung Lo Wan Road in which the Group owns 50% interest, named "yoo Residence" ("**yoo Residence**") have been presold. The superstructure work on both yoo Residence and the hotel development in Moreton Terrace (the "**Hotel Site**") is in progress. In addition to the 12 residential units situated at Nos. 41, 43 and 45, Pau Chung Street, To Kwa Wan, Kowloon already owned by the Group, 2 shop units at ground floor have been acquired in May 2014 (the "**To Kwa Wan Property**"). An agreement has been entered into to purchase the remaining 1 shop unit at the ground floor. The Group planned to redevelop the site into a residential tower with lower-level shops.

PRC:

The agreement with a wholly-owned subsidiary of Hanny Holdings Limited in relation to the disposal of 50% interest in the parcel of land, which is situated at the junction of Zhongshan Wu Road (中山五路) and Education Road (教育路) in Yuexiu District (越秀區) (the "**JY1 Land**"), has lapsed on 30th May, 2014. The Group is negotiating with another potential buyer who has expressed interest in the JY1 Land.

Outlined below is a summary of the Group's prevailing interest in significant properties held for development/sale/investment:

Location	**Usage**	**Group's interest** *(%)*	**Attributable gross floor area** *(sq. ft.)*
One Oasis situated at Estrada de Seac Pai Van, Macau	Residential/ Commercial	35.5	1,942,000
Premises situated at 30/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	Office	100	13,880
Hotel Site situated at No. 7 Moreton Terrace, Causeway Bay, Hong Kong	Hotel	100	31,000
yoo Residence situated at No. 33 Tung Lo Wan Road, Causeway Bay, Hong Kong	Residential/ Shops	50	50,000

Location	Usage	Group's interest (%)	Attributable gross floor area (sq. ft.)
To Kwa Wan Property situated at Nos. 41, 43 and 45, Pau Chung Street, To Kwa Wan, Kowloon, Hong Kong	Residential/ Shops	100	11,000
Golden Centre situated at No. 94, Yen Chow Street, Sham Shui Po, Kowloon, Hong Kong	Commercial	50	10,500
JY1 Land situated at the junction of Zhongshan Wu Road and Education Road in Yuexiu District, Guangzhou, the PRC	Commercial	100	690,000
Land situated at Fangcun District, Haudiwan, Guangzhou, the PRC	Commercial/ Residential	50	365,000
Land situated at the Cyber Park, Sanya City, Hainan Province, the PRC (the "**Sanya Land**")	Hotel	100	886,000
		Situated in:	
		Macau	1,942,000
		Hong Kong	116,380
		PRC	1,941,000
		Total	3,999,380

Golf and Leisure

Turnover from the golf and leisure business during the year ended 31st March, 2014 was HK$Nil (2013: HK$2.0 million) with a segmental profit of HK$401.7 million (2013: HK$489.0 million), which includes aggregate gain of HK$413.7 million from the disposal of a 18.5% effective interest and fair value change in the remaining 36.5% effective interest in Sanya Golf. In April 2014, the Group has disposed of a further 25.5% effective interest in Sanya Golf when the purchaser exercised its option to acquire such interest at a consideration of HK$250.0 million (the "**Call Option**"). There is also an option exercisable by the Group to dispose of its remaining 11% effective interest in the Sanya Golf for a consideration of HK$112.5 million (the "**Put Option**") during the year ending 18th February, 2016. As the gain from fair value change of this 36.5% interest in the Sanya Golf has already been recognised in the consolidated statement of profit or loss for the year ended 31st March, 2014, the expected gain on disposal upon the exercise of the Call Option and the Put Option, with reference to the carrying value of the remaining interest, will be revised to approximately HK$24.9 million and approximately HK$15.3 million respectively instead of HK$196.9 million and HK$89.5 million as previously announced by the Company on 18th February, 2014.

The considerable segmental profit for the year ended 31st March, 2013 was the result of recognition of the disposal of the 45% interest in Paragon Winner as discontinued operation.

Securities Investments

During the year, the Group recorded turnover of HK$26.6 million (2013: HK$10.0 million) and segmental profit of HK$97.3 million (2013: HK$11.4 million) of which HK$96.1 million represents unrealised profit from securities investments. As at 31st March, 2014, the Group had available-for-sale investments and financial assets at fair value through profit or loss in an aggregate sum of HK$755.8 million, mainly comprised shares listed in Hong Kong and Singapore.

Financing

During the year, the Group had interest income from other loan receivables of HK$26.2 million (2013: HK$22.5 million). As at the year end date, other loan receivables of the Group amounted to HK$268.5 million.

FINANCIAL REVIEW

The Group maintains a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities is maintained to satisfy its commitments and working capital requirements.

The Group monitors its liquidity requirement closely to ensure necessary arrangement for financing are made when appropriate. During the year ended 31st March, 2014, bank loans in aggregate of HK$10.3 million were drawn down to finance the development of the Hotel Site. At the end of the reporting period, total borrowings from financial institutions amounted to HK$229.2 million, which is repayable within one year. There were unused banking facilities of HK$201.8 million which can be utilised to finance the construction of properties and working capital of the Group.

At 31st March, 2014, the Group has bank and cash balances of HK$470.8 million which is sufficient to pay off all its indebtedness including bank borrowings of HK$229.2 million and loan notes of HK$224.0 million. Therefore, the Group has not any gearing on a net debt basis as compared with a gearing ratio of 0.31 as at 31st March, 2013.

During the year ended 31st March, 2014, convertible note payables of principal amount of HK$543.6 million have been converted into 261.3 million shares of the Company such that the Group's shareholders' funds increased by HK$540.4 million. In addition, the Group has purchased and cancelled loan notes in the principal amount of HK$154.3 million. As a result of the reduction in the borrowings of the Group, the finance costs reduced considerably from HK$130.2 million last year to HK$56.7 million in the current year.

Other than loan notes of HK$224.0 million as at 31st March, 2014 which are of fixed interest rates, borrowings from financial institutions of the Group are interest-bearing with variable rates. Given the management's anticipation of stable interest rates in the capital market, no hedging instruments were used against any unfavorable interest rate fluctuations.

Most of the assets and liabilities of the Group are denominated in Hong Kong dollars, Renminbi and Macau Pataca, hence the Group's exposure to fluctuations in foreign exchange rates is minimal and no foreign exchange hedging instruments are used.

OUTLOOK

There are continuing improvements in the economic outlook of certain substantial countries including the United States where tapering of quantitative easing programme has been commenced. Steady but comparatively slow growth is expected for the global economy, including the PRC. With the uncertain outcome of the tapering measure and accelerating political confrontations among nations, there are still many challenges ahead for the global economy.

After the rapid growth in past years, increase in GDP of Macau for the first quarter of 2014 moderates to 12.4% and continues to be one of the fastest growing economies in the region with unemployment rate stays below 2.0% driven by the resilient gaming and tourism sectors. Since real estates are the major investment target for the local residents and there is a shortage in supply, the property price continues to rise as the household income increases. Purchasing power focuses on first-hand properties while transactions in second-hand market remain quiet. The Group is well-positioned to share the enormous gain from Concordia as the construction of One Oasis is completed by phases in coming years.

The Hong Kong property market remains stagnant due to the influence of tax measures imposed by the Hong Kong Government and is dominated by first-hand property sales. The property developers become more conservative in their pricing policy. While the stringent measures will be effective in curbing short-term and foreign demand, with housing supply still lagging behind, low interest rate environment and steady local demand, the Group remains positive about the local property market. However, the Group will be cautious in committing new property investments in Hong Kong.

In light of the growing prospects of the tourism industry in Hong Kong and the PRC, the Group has been actively looking for investment opportunities to expand its hospitality business. In addition to the hotel development in the Hotel Site in which there will be about 90 guest rooms with expected completion in December 2015, the Group has through land auction acquired the Sanya Land, which is a waterfront plot of land with site area of 82,400 m^2, in Sanya for hotel and ancillary facilities development. In April 2014, the Group also entered into agreements to acquire the operating right together with a 40% property interest in Rosedale Hotel Kowloon which is situated at Tai Kok Tsui, Kowloon, Hong Kong with 435 guest rooms as well as 20% property interest in Rosedale Hotel & Suite at Chao Yang District, Beijing with 462 guest rooms. Upon the completion of the development and acquisition, the Group's provision of hospitality services will be broadened from golf and leisure related businesses to operations of city hotel which will contribute stable and recurring revenue to the Group.

Barring unforeseen circumstances, the Group is confident in getting over the challenges ahead and capturing future gains from its investment and development portfolio.

PLEDGE OF ASSETS

As at 31st March, 2014, the Group's general credit facilities granted by banks and financial institutions were secured by pledges of the Group's investment properties of HK$382.0 million, properties held for sale of HK$72.2 million, and property, plant and equipment of HK$216.2 million.

CONTINGENT LIABILITIES

As at 31st March, 2014, the Company provided a corporate guarantee for loan facilities of HK$625.0 million (31st March, 2013: HK$625.0 million) granted by a bank to certain joint ventures, which the Group owned 50% interest. The total loan outstanding for the loan facilities as at 31st March, 2014 was HK$419.9 million (31st March, 2013: HK$367.4 million). A 50% counter-indemnity was obtained from the ultimate holding company of the shareholders of the remaining 50% of the joint ventures in relation to the corporate guarantee provided. In addition, the Company provided a corporate guarantee on a several basis to the extent of HK$111.0 million (31st March, 2013: HK$70.9 million) to a bank in respect of banking facilities granted to an associate, in which the Group owned 50% (31st March, 2013: 30%) equity interest.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at the year end, the Group's total number of employees was 113 (2013: 88). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. Other benefits to employees include medical, insurance coverage, share options and retirement schemes. On 17th October, 2013, the Company had granted share options with an initial exercise price of HK$3.00 per Share (subject to adjustments) to certain directors, senior management and employees of the Group pursuant to the terms and conditions of the 2012 Share Option Scheme (as defined below), relevant details of which were disclosed in the announcement dated 17th October, 2013 published by the Company.

SECURITIES IN ISSUE

The share option scheme of the Company adopted on 26th August, 2002 (the "**2002 Share Option Scheme**") was terminated and the new share option scheme of the Company (the "**2012 Share Option Scheme**") was adopted by the Shareholders at the annual general meeting of the Company held on 17th August, 2012. On 17th October, 2013, the Company granted an aggregate of 20,800,000 share options at an initial exercise price of HK$3.00 (subject to adjustments) per Share under the 2012 Share Option Scheme. During the year ended 31st March, 2014, (i) save for the lapse of 60,000 share options, all share options outstanding under the 2002 Share Option Scheme were fully exercised; and (ii) 340,000 share options granted under the 2012 Share Option Scheme lapsed.

During the year ended 31st March, 2014, (i) 217,483,340 new Shares were issued by the Company upon conversion of the 3.25% convertible notes due on 25th November, 2013 and 10th December, 2013 respectively (the "**Convertible Notes**") in the aggregate principal amount of HK$457,150,000 at the adjusted conversion price of HK$2.102 per Share; (ii) 43,857,860 new Shares were issued by the Company upon conversion of the Convertible Notes in the aggregate principal amount of HK$86,400,000 at the adjusted conversion price of HK$1.970 per Share; (iii) 15,950,000 new Shares were issued by the Company upon exercise by holders of share options granted under the 2002 Share Option Scheme at the exercise price of HK$2.220 per Share and (iv) 5,552,646 new Shares were issued by the Company pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st March, 2013.

As a result of the payment of a final dividend of HK15 cents per Share for the year ended 31st March, 2013, the conversion price of the Convertible Notes has been adjusted from HK$2.102 per Share to HK$1.970 per Share with effect from 29th August, 2013.

As at 31st March, 2014, there were (i) 688,632,758 Shares in issue; and (ii) a total of 20,460,000 share options granted by the Company at an initial exercise price of HK$3.00 per Share (subject to adjustments) pursuant to the 2012 Share Option Scheme remained outstanding.

Save as disclosed above, there was no movement in the securities in issue of the Company during the year ended 31st March, 2014.

FINAL AND SPECIAL DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK16 cents per Share (2013: HK15 cents per Share) and a special dividend of HK30 cents per Share (2013: Nil) for the year ended 31st March, 2014 to the Shareholders whose names appear on the register of the members of the Company as at the close of business on Thursday, 28th August, 2014 (the "**Record Date**"). The proposed final and special dividends are expected to be paid to the Shareholders on or about Friday, 26th September, 2014 following approval at the forthcoming annual general meeting. The proposed final and special dividends are conditional upon the passing at the forthcoming annual general meeting of the Company of an ordinary resolution to approve the final and special dividends. The Board has also proposed that the final and special dividends should be satisfied in cash, with an option to elect scrip dividend of Shares, in respect of part or all of such dividends. The market value of the Shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the closing prices of the Shares for the three consecutive trading days ending Thursday, 28th August, 2014 less a discount of five percent of such average price or par value of Shares, whichever is the higher. The proposed scrip dividend is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued and passing at the forthcoming annual general meeting of the Company of an ordinary resolution to approve the final and special dividends. A circular giving the full details of the scrip dividend proposal and a form of election will be sent to the Shareholders and for information only, the holders of the loan notes.

CLOSURE OF REGISTER OF MEMBERS

The register of the members of the Company will be closed from Tuesday, 26th August, 2014 to Thursday, 28th August, 2014, both dates inclusive, during which period no transfer of the Shares will be effected. In order to be entitled for the proposed final and special dividends, all transfers of the Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday, 25th August, 2014.

For the year ended 31st March, 2013

BUSINESS REVIEW

Turnover for the year ended 31st March, 2013 was HK$35.5 million, a decrease of HK$150.2 million when compared to last year of HK$185.7 million, mainly due to deconsolidation of the operating results of golf resort in Sanya, the People's Republic of China (the "**PRC**") after the completion of its partial disposal on 31st May, 2012, and fewer sales of properties and activities in securities trading during the year. Gross profit decreased from HK$14.2 million last year to HK$2.8 million for current year.

Income from loan financing amounted to HK$22.5 million for the year, compared to the corresponding amount of HK$21.6 million last year.

The local property market during the year remained relatively active and the Company and its subsidiaries (collectively the "**Group**") has recognised an increase in fair value of investment properties of HK$141.6 million as compared with HK$75.6 million last year, mainly attributable to the investment property under development located at Nos. 703 and 705, Nathan Road, Mongkok, Kowloon (the "**Nathan Road Property**"). There was a net gain on financial instruments of HK$11.9 million during the year as compared with a net loss of HK$48.6 million last year due to better price performance of the Group's investment portfolio. The Group shares a profit of associates amounting to HK$174.7 million for the year as compared to a loss of HK$53.9 million last year due to the recognition of gain on disposal of a parcel of land by Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("**Concordia**") in February 2013.

In addition, in February 2013, the Group completed the disposal of its entire interests in an indirect wholly-owned subsidiary, namely Linktop Limited ("**Linktop**") which resulted in a gain of approximately HK$88.7 million. Linktop indirectly owns 45% effective interest in a joint venture in the PRC which was principally engaged in the development and management of a hot spring and resort project in Guiyang City, Guizhou Province, the PRC.

On 31st May, 2012, the Group completed the disposal of 65% interest in Paragon Winner Company Limited ("**Paragon Winner**") to Million Cube Limited ("**Million Cube**") and at the same time extended a loan of HK$205.7 million to Million Cube to partially finance the consideration. Since Million Cube eventually failed to make any repayment of the loan, in September 2012, the Group executed a deed of settlement with Million Cube such that 20% interest in Paragon Winner as held by Million Cube was transferred to the Group as settlement.

As a result, a profit from discontinued operation of HK$442.0 million (mainly included the net gain on loss of control over subsidiaries), was recognised and the Group recorded a profit for the year of HK$578.3 million as compared to HK$161.8 million last year.

Property

Macau:

Concordia, in which the Group has 35.5% effective interest, during the year launched the presale of another 3 blocks (Block 10, 11 and 12) of residential towers of its development in Cotai South, Macau, named "One Oasis" ("**One Oasis**"). Together with the previous presale of 9 blocks of residential towers, sales in aggregate of over 2,500 units with a sale amount in excess of HK$17.9 billion have been achieved. The construction work of phase 1 (including 5 residential blocks, ancillary car parking spaces and clubhouse) is progressing as scheduled with expected completion around end of 2013. The special units in Blocks 10, 11 and 12 will be launched in the fourth quarter of 2013. Presales of the next phases will be subject to the recent implementation of the enactments that unfinished flats in Macau can only be presold after fulfillment of certain conditions. Following the huge success of the previous presales achieved, more effort will be put to further upgrade the design and brand-affiliation of the remaining phases so as to optimize the sale value.

Hong Kong:

The residential development situated at No. 33 Tung Lo Wan Road in which the Group owns 50% interest, named "yoo Residence" ("**yoo Residence**") has commenced presale in April 2013. This life-style oriented project is well received and achieves an average selling price of over HK$30,000 per square feet on saleable area basis.

In addition, the Group owns the entire interest in the site at Moreton Terrace (the "**Hotel Site**") which will be developed into a boutique hotel. The foundation works on both yoo Residence and the Hotel Site are in progress.

In December 2012, the Group has entered into an agreement (the "**Disposal Agreement**") to dispose of its entire interest in the Nathan Road Property at a consideration of HK$830.0 million which completion will take place after the issue of the occupation permit of the building provided that such completion date shall not be earlier than 30th June, 2013 or later than 31st December, 2013. The construction of the property, which is a 20-storey retail complex, has been completed and application for occupation permit has been submitted to the Buildings Department. As further revaluation gain of HK$106.2 million has been recognised in the consolidated income statement for the year ended 31st March, 2013 subsequent to the date of the Disposal Agreement, the expected capital gain on disposal will be revised to HK$158.8 million as compared with HK$265.0 million as previously announced on 2nd January, 2013.

During the current year, the Group has purchased 12 residential units situated at Nos. 41, 43 and 45, Pau Chung Street, To Kwa Wan, Kowloon (the "**To Kwa Wan Property**"), which comprise 80% of the undivided shares of the redevelopment site and thus the Group is in the course of applying for compulsory acquisition under The Land (Compulsory Sale for

Redevelopment) Ordinance, Chapter 545 of the Laws of Hong Kong. However, acquisition of the remaining 3 shop units at the ground floor is still under negotiation. The Group planned to redevelop the site into a residential tower with lower-level shops.

During the current year, the Group has also formed a joint venture in which the Group has 30% interest for acquiring the property interest in the basement, ground floor and first floor of Golden Centre at No. 94, Yen Chow Street, Sham Shui Po, Kowloon (the "**Golden Centre**") for resale purpose. In the meantime, there is rental income contributed to the Group.

PRC:

The Group has entered into a sale and purchase agreement with a wholly-owned subsidiary of Hanny Holdings Limited in September 2010 to dispose of 50% interest in the parcel of land, which is situated at the junction of Zhongshan Wu Road and Education Road in Yuexiu District (the "**JY1 Land**"), one of the primest shopping and commercial districts in Guangzhou. Up to the date of this report, the fulfillment of certain conditions for the completion is still in process.

In April 2013, the Group formed a joint venture in which the Group has 50% interest. The sole purpose of the joint venture is to acquire the property interest in a parcel of land situated at Fangcun District, Huadiwan, Guangzhou (the "**Fangcun Land**") which is intended for commercial and residential development for sale with an aggregate floor area of approximately 730,000 sq. ft.

Outlined below is a summary of the Group's prevailing interest in significant properties held for development/sale/investment:

Location	**Usage**	**Group's interest** *(%)*	**Attributable gross floor area** *(sq. ft.)*
One Oasis situated at Estrada de Seac Pai Van, Macau	Residential/ Commercial	35.5	1,942,000
Nathan Road Property situated at Nos. 703 and 705, Nathan Road, Mongkok, Kowloon, Hong Kong	Commercial	100	30,000
Premises situated at 30/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	Office	100	13,880
Hotel Site situated at No. 7 Moreton Terrace, Causeway Bay, Hong Kong	Hotel	100	31,000

Location	Usage	Group's interest (%)	Attributable gross floor area (sq. ft.)
yoo Residence situated at No. 33 Tung Lo Wan Road, Causeway Bay, Hong Kong	Residential/ Shops	50	50,000
To Kwa Wan Property situated at Nos. 41, 43 and 45, Pau Chung Street, To Kwa Wan, Kowloon, Hong Kong	Residential/ Commercial	100	9,000
Golden Centre situated at No. 94, Yen Chow Street, Sham Shui Po, Kowloon, Hong Kong	Commercial	30	6,300
JY1 Land situated at the junction of Zhongshan Wu Road and Education Road in Yuexiu District, Guangzhou, the PRC	Commercial	100	690,000
Fangcun Land situated at Fangcun District, Huadiwan, Guangzhou, the PRC	Commercial/ Residential	50	365,000
		Situated in:	
		Macau	1,942,000
		Hong Kong	140,180
		PRC	1,055,000
		Total	3,137,180

Golf and Leisure

As a result of the recognition of the net gain on disposal of the partial interest in Paragon Winner as mentioned above, turnover from the golf and leisure business during the year was HK$2.0 million (2012: HK$27.7 million) with a segmental profit of HK$489.0 million (2012: HK$0.6 million). At 31st March, 2013, the Group owned 55% equity interest in Paragon Winner which operates the Sun Valley Golf Resort in Sanya, the PRC.

Securities Investments

During the year, the Group recorded turnover of HK$10.0 million (2012: HK$101.7 million) and segmental profit of HK$11.4 million (2012: segmental loss of HK$48.2 million) of which HK$14.2 million represents unrealized profit from securities investments. As at 31st

March, 2013, the Group had available-for-sale investments and financial assets at fair value through profit or loss in an aggregate sum of HK$499.9 million, mainly comprised shares listed in Hong Kong and Singapore.

Financing

During the year, the Group had interest income from other loan receivables of HK$22.5 million (2012: HK$21.6 million). As at the year end date, other loan receivables of the Group amounted to HK$310.7 million.

On 28th May, 2012, the Group entered into an agreement in relation to the formation of a joint venture in which the Group has 40% interest ("**Sea Orient**"). In proportion to its interest in the joint venture, the Group provided a loan of HK$140.2 million to Sea Orient to finance its acquisition of various Renminbi-denominated creditors' claims and securities held by various vendors against Guangdong International Trust and Investment Corporation. On 23rd November, 2012, the Group has entered into an agreement to dispose of its entire interest in Sea Orient for a consideration of HK$210.0 million which completion has been taken place subsequent to 31st March, 2013 with an estimated gain of approximately HK$69.8 million to be recognised in the first half year of 2013.

FINANCIAL REVIEW

The Group maintains a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities is maintained to satisfy its commitments and working capital requirements.

The Group monitors its liquidity requirement closely to ensure necessary arrangement for financing are made when appropriate. During the year ended 31st March, 2013, bank loans in aggregate of HK$97.1 million were drawn down to finance the development of the Hotel Site, the Nathan Road Property and the To Kwa Wan Property. As at the year end date, total borrowings from financial institutions amounted to HK$370.3 million, of which HK$31.8 million is repayable after one year. There were unused banking facilities of HK$270.5 million which can be utilised to finance the construction of properties and working capital of the Group.

The Group's net gearing ratio as at 31st March, 2013 was 0.31 (31st March, 2012: 0.22), determined as the proportion of the Group's bank borrowings, loan notes and convertible note payables (after deducting the bank balances and cash of HK$414.4 million) to the Group's shareholders' funds of HK$2,847.4 million.

Other than loan notes of HK$342.2 million and convertible note payables of HK$530.3 million as at 31st March, 2013 which are of fixed interest rates, borrowings from various financial institutions and lender of the Group are interest-bearing with variable rates. Given the management's anticipation of stable interest rates in the capital market, no hedging instruments were used against any unfavorable interest rate fluctuations.

Most of the assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi and Macau Pataca, hence the Group's exposure to fluctuations in foreign exchange rates is minimal.

PLEDGE OF ASSETS

As at 31st March, 2013, the Group has pledged leasehold land and buildings with carrying values of approximately HK$222,343,000 to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31st March, 2013, the Group provided a corporate guarantee for loan facilities of HK$625.0 million (2012: HK$625.0 million) granted to certain jointly controlled entities. The total loan outstanding for the loan facilities as at 31st March, 2013 was HK$367,427,000 (2012: HK$317,876,000). A 50% counter-indemnity was obtained from the ultimate holding company of the owners of the remaining 50% of the jointly controlled entities in relation to the corporate guarantee provided. In addition, the Company provided a corporate guarantee to the extent of HK$70.9 million to a bank in respect of banking facilities granted to an associate, in which the Group owned 30% interest.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at the year end, the Group's total number of employees was 88 (2012: 401). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. Other benefits to employees include medical insurance, share options and retirement schemes.

OUTLOOK

There are some signs of improvement in the economic outlook of the United States. However, the global economy remains vulnerable in particular the spreading sovereign debt crisis in the Euro Zone. The intentional depreciation of Japanese Yen may cast further uncertainties over the currency policy of different countries. The economy of the PRC remains relatively strong but with decelerated growth rate. As a whole, despite of twist in money supply and interest rate, there are many challenges ahead for the global economy.

Macau continues to be one of the fastest growing economies in the region with 9.9% growth in GDP for 2012 and latest unemployment rate below 2.0% driven by the resilient gaming and tourism sectors. In October 2012, the Macau government has implemented further tightening measures including the Buyer's Stamp Duty (the "**BSD**") on non-permanent residents. The property market, in particular the second hand market, has been quiet down but the property price remains strong with some increases. The implementation of the new enactment regulating the presale of unfinished flats shall direct development of the property market into a healthy manner and improve the confidence of local and overseas buyers. The Group, through Concordia, is optimistic about the property market in Macau in the medium and long term and plans to capture the opportunity brought along by the expected increase in household income and intensified demand for quality homes by launching the presale of remaining phases of residential towers at One Oasis in due course.

The imposition of the BSD on non-permanent residents and corporate buyers, the increase in the charging rates and extension of holding period for the assessment of the Special Stamp Duty (the "**SSD**") in Hong Kong during the year under review has somewhat brought a halt to the steaming hot residential market and to some extent the non-domestic property market. The enforcement of the new law regulating the sales arrangement and transactions of first-hand residential properties in April 2013 has further frozen the supply by developers. Investors will be more cautious and take a wait and see attitude towards the property market. While the BSD and the SSD will be effective in curbing short-term and foreign demand, with housing supply still lagging behind, low interest rate environment in the coming years and steady local demand, the Group remains positive about the local property market. However, the group will be cautious in committing new property investments in Hong Kong.

As disclosed in the announcement of the Company dated 11th April, 2013, convertible note payables held by Selective Choice Investments Limited, an indirect wholly-owned subsidiary of ITC Corporation Limited, and Ms. Ng Yuen Lan, Macy of carrying value at 31st March, 2013 in aggregate of HK$351.4 million had been converted into approximately 167.2 million shares of the Company which on one hand reduced the liabilities and on the other hand strengthened the capital base on the Group. The coming completion of the sale of the Nathan Road Property shall further enhance the liquidity and reduce the gearing of the Group. Barring unforeseen circumstances, the Group is confident in getting over the challenges ahead and capturing future gains from its investment portfolio.

For the year ended 31st March, 2012

BUSINESS REVIEW

Turnover for the year ended 31st March, 2012 was HK$212.4 million, a decrease of HK$48.6 million when compared to last year of HK$261.0 million, mainly due to fewer sales of properties during the year. Gross profit decreased from HK$63.1 million last year to HK$32.0 million for the current year.

Income from loan financing amounted to HK$21.6 million for the year, compared to the corresponding amount of HK$15.0 million last year.

The local property market for the year under review was relatively stable and the Group has recognised an increase in fair value of investment properties of HK$75.6 million as compared with HK$136.6 million due to the buoyant recovery during last year. The Group's share of losses of associates and share of losses of jointly controlled entities amounting to HK$53.9 million and HK$7.8 million respectively, mainly represented share of the associates' and jointly controlled entities' administrative expenses and other set-up costs since their investment projects were still at the development stages.

There was a compensation income of HK$111.0 million arising from the cancellation of acquisition of land use rights at Hengqin, Zhuhai during last year which was a non-recurring item and no similar item was recorded as other income for the current year. In spite of the above, the Group recorded an improved profit for the year of HK$161.8 million as compared to HK$79.8 million last year, mainly attributable to the recognition of a gain on disposal of subsidiaries amounted to HK$346.3 million as a result of the disposal of 50% interest in Vastness Investment Limited ("**Vastness**"), which indirectly held the residential development project in Causeway Bay, Hong Kong.

Property

Macau:

Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("**Concordia**"), in which the Group has 35.5% effective interest, successfully launched the presales of the first and second phases comprising of 9 blocks of residential tower of its development in Cotai South, Macau (the "**Concordia Land**"), named "One Oasis" in April 2010 and March 2011 respectively. Sales in aggregate of over 1,500 units with a sale amount in excess of HK$10,000.0 million were secured. In the second quarter of 2011, the Macau government imposed the special stamp duty which immediately quiet down the property market. Taking advantage of some signs of recovery around end of 2011, Concordia further launched the presale of another block of residential tower which was well received and sale of over 300 units with a sale amount in excess of HK$1,700.0 million were secured. More effort was being focused on the construction works with expected completion of the first two phases scheduled around end of 2013 and early 2014. Presales of additional phases will strategically be launched at an appropriate time to optimize the sale value. During the current year, Concordia repatriated an amount of HK$355.0 million to the Group as interest and partial loan repayment. It is anticipated upon completion of the development by phases, there shall be further significant repayment and/or distribution receivable from Concordia together with recognition of a substantial share of profit.

During the current year, the Group completed the sales of the remaining 6 residential units together with 6 car parking spaces at Pearl on the Lough for a consideration of HK$56.5 million.

Hong Kong:

On 14th October, 2011, the Group completed the disposal of 50% interest in Vastness, which indirectly held the property interest in the site bordering Tung Lo Wan Road and Shelter Street (the "**Residential Site**"). A gain on disposal of HK$346.3 million was recorded in this financial year. The Residential Site, in which the Group still owns 50% interest, will be developed into a luxury high society life-style residential tower. In addition, the Group continues to own the entire interest in the site at Moreton Terrace (the "**Hotel Site**") which will be developed into a boutique hotel. In late September 2010, a draft Outline Zoning Plan was gazetted by the Hong Kong Government which rezoned our sites from "Commercial/ Residential" to "Residential (Group A)" and imposed a height restriction of 100 metres above Principal Datum from initially having "no" height restriction. The Group has set up a professional team in order to tackle these changes. The demolition of the existing buildings on both the Residential Site and the Hotel Site has been completed and foundation works are in progress.

The construction of the superstructure at Nos. 703 and 705, Nathan Road (the "**Nathan Road Project**"), in which the Group has 100% interest, is in progress as scheduled. The site will be developed into a high end (diamond, gold, jewelry, watches and luxury goods) retail complex with a gross floor area of approximately 30,000 sq. ft. Pre-lease of the shop and food and beverage spaces will start soon. On completion, which is expected around end of 2012, the building will become an outstanding superstructure on top of the Mongkok MTR station.

On 9th September, 2011, the Group entered into an agreement to acquire the entire interest in Top Precise Investments Limited (together with its subsidiary, referred to as the "**Top Precise Group**"), a wholly-owned subsidiary of ITC Corporation Limited ("**ITC**"), for a consideration of HK$313.0 million (subject to adjustments). The principal asset of the Top Precise Group is the premises at 30th Floor and 4 car parking spaces at Bank of America Tower, 12 Harcourt Road, Central (the "**Premises**"). The transaction was completed on 16th November, 2011. The majority portion of the Premises is retained by the Group for self-use while the remaining portion is leased to a subsidiary of ITC for rental income.

PRC:

On 13th December, 2011, the Group entered into an agreement, for the disposal of the entire interest in Linktop Limited ("**Linktop**"). Linktop has 45% interest in a joint venture company (the "**JVC**") which is principally engaged in the development and management of a golf and hot spring resort and residential project in Guiyang, Guizhou Province. The JVC owned land use rights for parcels of land in Wudang District, Guiyang City, with a total site area for development amounted to approximately 697,746 m^2 (the "**Guiyang Land**"). During the year under review, model show-houses and the sale office have been completed for launching pre-sales. The Group expected an estimated gain of approximately HK$85.8 million upon the completion of the disposal.

As disclosed in the Company's circular dated 27th October, 2010 and the Company's announcement dated 31st March, 2011, the Group has entered into a sale and purchase agreement with a wholly-owned subsidiary of Hanny Holdings Limited in September 2010 to dispose of 50% interest in the parcel of land, which is situated at the junction of Zhongshan Wu Road (中山五路) and Education Road (教育路) in Yuexiu District (越秀區) (the "**JY1 Land**"), one of the most prime shopping and commercial districts in Guangzhou. Up to the date of this report, the fulfillment of certain conditions for the completion is still in process.

Outlined below is a summary of the Group's prevailing interest in significant properties held for development/sale/investment:

Location	Usage	Group's interest (%)	Attributable gross floor area (sq. ft.)
Concordia Land situated at Estrada de Seac Pai Van, Macau	Residential/ Commercial/ Hotel	35.5	2,250,000
Nathan Road Project situated at Nos. 703 and 705, Nathan Road, Mongkok, Kowloon, Hong Kong	Retailing	100	30,000
Premises situated at 30/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	Commercial	100	13,880
Hotel Site at No. 7 Moreton Terrace, Causeway Bay, Hong Kong	Hotel	100	31,000
Residential Site comprising: — Nos. 19–21 Shelter Street, Causeway Bay, Hong Kong — No. 33 Tung Lo Wan Road, Causeway Bay, Hong Kong — Nos. 35, 37, 39–39A, 39B and 39C Tung Lo Wan Road, Causeway Bay, Hong Kong	Residential	50	45,000
Guiyang Land situated at Wudang District, Guiyang, Guizhou, the PRC	Residential/ Commercial/ Cultural/ Recreational/ Resort	45	3,300,000
JY1 Land situated at the junction of Zhongshan Wu Road and Education Road in Yuexiu District, Guangzhou, the PRC	Commercial	100	690,000
		Situated in:	
		Hong Kong	119,880
		Macau	2,250,000
		PRC	3,990,000
		Total	6,359,880

Golf and Leisure

Turnover from the golf and leisure business during the year was HK$27.7 million (2011: HK$54.1 million) with a segmental profit of HK$0.6 million (2011: segmental loss of HK$8.0 million). In July 2010, the Group entered into an agreement to dispose of 65% of the Group's interest in Paragon Winner Company Limited ("**Paragon Winner**"), which indirectly owns and operates the Sun Valley Golf Resort, to Million Cube Limited (the "**Purchaser**") for a cash consideration of HK$746.0 million (the "**Disposal Agreement**"). The Purchaser did not pay the consideration in full in accordance to the agreed schedule. The Group and the Purchaser further entered into a second supplemental agreement on 2nd April, 2012 (the "**Supplemental Agreement**"), pursuant to which the Group would continue to dispose of 65% interest in Paragon Winner to the Purchaser on the condition that the Purchaser further paid not less than HK$30.0 million on or before 30th April, 2012 (the "**April Amount**"). If the Purchaser failed to pay the April Amount, the Group would instead dispose of 40% interest in Paragon Winner to the Purchaser. The Purchaser had paid the April Amount of HK$30.0 million and the Group completed the disposal of the 65% interest in Paragon Winner in May 2012 by extending a loan of HK$205.7 million to the Purchaser pursuant to the Disposal Agreement as varied and amended by the Supplemental Agreement.

Securities Investments

During the year, due to the general downturn of the equity market, the Group recorded turnover of HK$101.7 million (2011: HK$34.5 million) and segmental loss of HK$48.2 million (2011: segmental profit of HK$13.1 million) of which HK$45.6 million represent unrealized loss from securities investments. As at 31st March, 2012, the Group had available-for-sale investments and financial assets at fair value through profit or loss in an aggregate sum of HK$122.6 million, mainly comprised shares listed in Hong Kong and Singapore.

Financing

During the year, the Group had interest income from other loan receivables of HK$21.6 million (2011: HK$15.0 million). As at the year end date, other loan receivables of the Group amounted to HK$344.4 million.

On 28th May, 2012, the Group entered into an agreement in relation to the formation of a joint venture in which the Group has 40% interest. In proportion to its interest in the joint venture, the Group agreed to provide a financial assistance of not more than HK$160.0 million to the joint venture to finance its acquisition of various Renminbi-denominated creditors' claims and securities (the "**Claims**") held by various vendors against Guangdong International Trust and Investment Corporation at a substantial discount, which ultimate realization is expected at a value in excess of the acquisition price so as to generate a satisfactory return to the joint venture and hence the Group. In addition, such participation interest may enable the Group to explore possible business opportunities in relation to properties pledged as securities for the Claims.

FINANCIAL REVIEW

The Group maintains a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities is maintained to satisfy its commitments and working capital requirements.

The Group monitors its liquidity requirement closely to ensure necessary arrangement for financing are made when appropriate. During the year, in relation to the acquisition of the Premises, the Group has issued a loan note of HK$100.0 million (the "**First Loan Notes**") which will be due in November 2013 and obtained banking facilities amounted to HK$142.3 million. The Group has also arranged additional banking facilities in aggregate of HK$172.9 million to finance the construction of properties in Hong Kong. As at the financial year end date, total borrowings from financial institutions amounted to HK$287.3 million, of which HK$10.3 million is repayable after one year. There were unused banking facilities of HK$442.9 million of which HK$242.9 million can be utilized to finance the construction of properties and working capital of the Group.

In order to retain financial resources for investment and working capital, in February 2011, the Company proposed a repurchase offer (the "**Note Offer**") to the holders of 1% convertible notes which were due on 15th June, 2011 (the "**2011 Convertible Notes**") with an aggregate outstanding principal amount of HK$906.0 million by issuing 3.25% convertible notes falling due 30 months after the date of issue, with an initial conversion price of HK$2.20 per Share (subject to adjustments) (the "**New Notes**"). During the year, the New Notes in an aggregate principal amount of HK$589.05 million were issued to the holders who accepted the Note Offer and the New Notes in an aggregate principal amount of HK$30.0 million were further issued to the subscribers through placing. The Group has utilized the proceeds from the placing of the New Notes and its internal resources in aggregate of HK$411.0 million for repayment of the 2011 Convertible Notes (including outstanding principal, redemption premium and accrued interest) which holders had not accepted the Note Offer in June 2011.

With a view to enhance the consolidated net asset value per ordinary share of the Company (the "**Share(s)**") and provide opportunities for the shareholders of the Company (the "**Shareholders**") who wished but were not able to dispose of their holdings of the Shares, the Company proposed on 28th November, 2011 a conditional voluntary offer (the "**Share Offer**") to repurchase for cancellation up to 260,000,000 Shares at a price of HK$2.60 per Share (of which HK$0.60 would be satisfied in cash and the balance of HK$2.00 would be satisfied by way of the loan notes). The Share Offer became unconditional on 20th January, 2012 and closed on 3rd February, 2012. As such, a total of 196,918,150 Shares were repurchased and subsequently cancelled by the Company on 10th February, 2012. On 10th February, 2012, as part of the consideration of the Shares repurchased, the Company issued the loan notes (the "**Second Loan Notes**") in an aggregate principal amount of HK$393.8 million, which are unsecured, bear interest at a fixed rate of 6% per annum and are due to mature in February 2015.

The Group's gearing ratio as at 31st March, 2012 was 0.22 (31st March, 2011: 0.46), determined as the proportion of the Group's bank borrowings, loan notes and convertible note payables (after deducting the bank balances and cash of HK$759.7 million) to the Group's shareholders' funds of HK$2,231.4 million.

Other than the Second Loan Notes with principal amount of HK$393.8 million and New Notes with principal amount of HK$618.1 million as at 31st March, 2012 which are of fixed interest rates as mentioned above, the First Loan Notes and borrowings from financial institutions of the Group are interest-bearing with variable rates. Given the management's anticipation of stable interest rates in the capital market, no hedging instruments were used against any unfavorable interest rate fluctuations.

Most of the assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi and Macau Pataca, hence the Group's exposure to fluctuations in foreign exchange rates is minimal.

PLEDGE OF ASSETS

As at 31st March, 2012, the Group has pledged leasehold land and buildings with carrying values of approximately HK$228,788,000 to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31st March, 2012, the Group provided a corporate guarantee for loan facilities of HK$625.0 million (2011: Nil) granted to certain jointly controlled entities. The total loan outstanding for the loan facilities as at 31st March, 2012 was HK$317,876,000. A 50% counter-indemnity was obtained from the ultimate holding company of the owners of the remaining 50% of the jointly controlled entities in relation to the corporate guarantee provided.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at the year end date, the Group's total number of employees was 401 (2011: 557). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. Other benefits to employees include medical insurance, share options and retirement schemes.

OUTLOOK

The global economy remains vulnerable given the lagging pace in the United States and Europe's recovery from the "Great Financial Crisis". In particular, the sovereign debt crisis in Euro Zone is spreading and deteriorating which increases the downside risk to the global economy. The common consensus is that these developed countries will remain in a period of low-growth in the coming few years. With decreasing demand of merchandises from the United States and Europe coupled with the imposition of various measures to contain asset prices, the economic momentum of the PRC will likely slow down versus its previous rate of growth. As a whole, the global economy continues to slow down while remaining highly volatile.

Macau continues to be one of the fastest growing economies in the region with 20.7% growth in gross domestic product for 2011 and with low unemployment rate at 2.1% driven by the resilient gaming and tourism sectors. The Group, through Concordia, remains optimistic about the property market in Macau and plans to capture the opportunity brought along by the expected increase in household income and intensified demand for quality homes by launching the presale of remaining phases of residential towers at One Oasis in due course.

The impact of the imposition of special stamp duty in Hong Kong has gradually been digested and the property transactions increased with prices staying at the high side. The challenging worldwide economy and the coming changeover in senior officials of the Hong Kong Government continue to cast uncertainties over the market and may cool down residential property transactions. On a backdrop of record-low interest rates and scarce new supply coupled with the strong retail businesses fueled by the PRC tourists, the Group remains optimistic about the local property market and expects that the Residential Site, Hotel Site and the Nathan Road Project to contribute an encouraging return after their completion.

Barring unforeseen circumstances, the Group is confident in capturing future gains from its investment portfolio and with existing resources, shall actively look for property investment opportunities in Hong Kong, Mainland China and Macau.

1. ACCOUNTANTS' REPORT ON THE MAKERSTON GROUP

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

10th November, 2014

The Directors
ITC Properties Group Limited

Dear Sirs,

We set out below our report on the consolidated financial information relating to Makerston Limited ("**Makerston**") and its subsidiaries (collectively referred to as the "**Makerston Group**") for each of the three years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014 (the "**Relevant Period**") (the "**Financial Information of the Makerston Group**") for inclusion in the circular ITC Properties Group Limited ("**ITCP**") dated 10th November, 2014 in connection with, amongst others, the proposed acquisition of the entire issued share capital of Makerston and the shareholder's loan due by Makerston (the "**Makerston Transaction**") (the "**Circular**").

Makerston is incorporated with limited liability in the British Virgin Islands (the "**BVI**"). At the date of this report, Makerston has interest in the following subsidiary/associate:

Name of subsidiary/ associate	Place of incorporation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by Makertson As at 31st December, 2011	2012	2013	As at 30th June, 2014	At the date of this report	Principal activity
Directly owned								
DS Eastin Limited ("**DS Eastin**")	Hong Kong	Hong Kong Dollar ("**HK$**") 20	100%	100%	100%	100%	100%	Investment holding
Indirectly owned								
Rosedale Hotel Beijing Co., Ltd. (the "**PRC Company**") 北京珀麗酒店有限責任公司	The People's Republic of China (the "**PRC**")	United States Dollar ("**US$**") 86,000,000 *(note)*	100%	100%	20% *(note)*	20%	20%	Hotel operation in Beijing

Note: During the year ended 31st December, 2013, DS Eastin's ownership interest in the PRC Company was diluted to 20% pursuant to a capital increase agreement entered into with an independent third party. The PRC Company has ceased to be a subsidiary of DS Eastin and was accounted for as an associate of DS Eastin since the completion of the capital increase. Details of this transaction are set out in note 24.

All companies comprising the Makerston Group have adopted 31st December as their financial year end date.

No audited financial statements have been prepared for Makerston for each of the three years ended 31st December, 2011, 2012 and 2013 as there is no statutory requirement for audited financial statements in the BVI.

The statutory financial statements of DS Eastin for each of the three years ended 31st December, 2011, 2012 and 2013 were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and were audited by us.

The statutory financial statements of the PRC Company for each of the years ended 31st December, 2011, 2012 and 2013 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The statutory financial statements for the years ended 31st December, 2011 and 2012 were audited by 北京譽興會計師事務所有限責任公司 and the statutory financial statements for the year ended 31st December, 2013 were audited by 北京中瑞誠會計師事務所有限公司.

For the purpose of this report, the directors of Makerston have prepared the consolidated financial statements of the Makerston Group for the Relevant Period in accordance with HKFRSs issued by the HKICPA (the "**Underlying Financial Statements**"). We have carried out an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountants" as recommended by the HKICPA.

The Financial Information of the Makerston Group for the Relevant Period set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made by us to the Underlying Financial Statements for the preparation of the Financial Information of the Makerston Group.

The preparation of the Underlying Financial Statements is the responsibility of the directors of Makerston who approved their issue. The directors of Makerston are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information of the Makerston Group set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information of the Makerston Group and to report our opinion to you.

In our opinion, the Financial Information of the Makerston Group gives, for the purpose of this report, a true and fair view of the state of affairs of the Makerston Group as at 31st December, 2011, 2012, 2013 and 30th June, 2014 and of the consolidated results and consolidated cash flows of the Makerston Group for the Relevant Period.

The comparative consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Makerston Group for the six months ended 30th June, 2013 together with the notes thereon have been extracted from the Makerston Group's unaudited consolidated financial information for the same period (the "**June 2013 Financial Information**") which was prepared by the directors of Makerston solely for the purpose of this report. We conducted our review of the June 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the June 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information of the Makerston Group which conform with HKFRSs.

A. FINANCIAL INFORMATION OF THE MAKERSTON GROUP

Consolidated Statements of Profit or Loss

		Year ended 31st December,			Six months ended 30th June,	
		2011	2012	2013	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	6	85,490	96,125	80,075	40,200	—
Cost of sales and services		(61,542)	(66,346)	(57,322)	(30,534)	—
Gross profit		23,948	29,779	22,753	9,666	—
Other income		20,832	4,757	7,152	6,442	5,486
Administrative expenses		(45,556)	(42,671)	(37,352)	(20,583)	(6,143)
Gain on deemed disposal of a subsidiary	24	—	—	656,230	—	—
Share of result of an associate		—	—	(1,223)	—	(2,463)
Finance costs	7	(8,682)	(8,026)	(7,114)	(3,839)	(29)
(Loss) profit before tax		(9,458)	(16,161)	640,446	(8,314)	(3,149)
Income tax credit (expense)	8	3,721	5,390	(60,149)	2,698	—
(Loss) profit for the year/period	9	(5,737)	(10,771)	580,297	(5,616)	(3,149)

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
(Loss) profit for the year/period	(5,737)	(10,771)	580,297	(5,616)	(3,149)
Other comprehensive income (expense) for the year/period					
Items that will not be reclassified to profit or loss:					
Exchange difference arising on translation of functional currency to presentation currency	5,729	523	16,732	726	(5,191)
Share of exchange differences of an associate	—	—	—	—	(3,652)
Other comprehensive income (expense) for the year/period	5,729	523	16,732	726	(8,843)
Total comprehensive (expense) income for the year/period	(8)	(10,248)	597,029	(4,890)	(11,992)

Consolidated Statements of Financial Position

	Notes	As at 31st December, 2011 HK$'000	2012 HK$'000	2013 HK$'000	As at 30th June, 2014 HK$'000
Non-current assets					
Property, plant and equipment	12	686,979	669,705	—	—
Interest in an associate	13	—	—	269,627	263,512
Pledged bank deposits	17	11,867	11,780	—	—
		698,846	681,485	269,627	263,512
Current assets					
Inventories	14	2,594	2,535	—	—
Trade and other receivables	15	10,241	13,883	665,405	665,952
Amount due from a fellow subsidiary	16	272	367	—	—
Pledged bank deposits	17	—	—	306,079	—
Bank balances and cash	17	8,004	8,991	443	61
		21,111	25,776	971,927	666,013
Current liabilities					
Trade and other payables	18	16,639	17,056	238	10
Tax payable		1,804	1,999	66,744	66,744
Derivative financial instrument	20	2,858	2,730	—	—
Amount due to immediate holding company	16	278,308	294,247	311,588	217,725
Amounts due to fellow subsidiaries	16	4,593	830	—	54
Bank borrowings — due within one year	19	10,741	14,741	206,000	—
		314,943	331,603	584,570	284,533
Net current (liabilities) assets		(293,832)	(305,827)	387,357	381,480
Total assets less current liabilities		405,014	375,658	656,984	644,992
Non-current liabilities					
Bank borrowings — due after one year	19	222,963	208,222	—	—
Deferred tax liabilities	21	111,848	107,481	—	—
		334,811	315,703	—	—
		70,203	59,955	656,984	644,992
Capital and reserves					
Share capital	22	—	—	—	—
Reserves		70,203	59,955	656,984	644,992
		70,203	59,955	656,984	644,992

Consolidated Statements of Changes in Equity

	Share capital *HK$'000*	Other reserve *HK$'000* *(note i)*	Translation reserve *HK$'000*	Accumulated (losses) profits *HK$'000*	Total *HK$'000*
At 1st January, 2011	—	(13,093)	108,251	(24,947)	70,211
Exchange difference arising on translation of functional currency to presentation currency	—	—	5,729	—	5,729
Loss for the year	—	—	—	(5,737)	(5,737)
Total comprehensive expense for the year	—	—	5,729	(5,737)	(8)
At 31st December, 2011	—	(13,093)	113,980	(30,684)	70,203
Exchange difference arising on translation of functional currency to presentation currency	—	—	523	—	523
Loss for the year	—	—	—	(10,771)	(10,771)
Total comprehensive expense for the year	—	—	523	(10,771)	(10,248)
At 31st December, 2012	—	(13,093)	114,503	(41,455)	59,955
Exchange difference arising on translation of functional currency to presentation currency	—	—	16,732	—	16,732
Profit for the year	—	—	—	580,297	580,297
Total comprehensive income for the year	—	—	16,732	580,297	597,029
Released upon deemed disposal of a subsidiary	—	13,093	—	(13,093)	—
Release of translation reserve upon deemed disposal of a subsidiary *(note ii)*	—	—	(141,536)	141,536	—
At 31st December, 2013	—	—	(10,301)	667,285	656,984
Exchange difference arising on translation of functional currency to presentation currency	—	—	(5,191)	—	(5,191)
Share of exchange difference of an associate	—	—	(3,652)	—	(3,652)
Loss for the period	—	—	—	(3,149)	(3,149)
Total comprehensive expense for the period	—	—	(8,843)	(3,149)	(11,992)
At 30th June, 2014	—	—	(19,144)	664,136	644,992

	Share capital HK$'000	Other reserve HK$'000 (note i)	Translation reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
Unaudited					
At 1st January, 2013	—	(13,093)	114,503	(41,455)	59,955
Exchange difference arising on translation of functional currency to presentation currency	—	—	726	—	726
Profit for the period	—	—	—	(5,616)	(5,616)
Total comprehensive income for the period	—	—	726	(5,616)	(4,890)
At 30th June, 2013	—	(13,093)	115,229	(47,071)	55,065

Notes:

(i) The other reserve of the Makerston Group arose from acquisition of additional interest in a subsidiary from non-controlling interest in prior years.

(ii) On 29th November, 2013, the capital injection of the PRC Company was completed. The cumulative exchange difference arising on translation of functional currency to presentation currency prior to the capital injection was released accordingly as the PRC Company ceased to be a subsidiary of the Makerston Group.

Consolidated Statements of Cash Flows

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES					
(Loss) profit before tax	(9,458)	(16,161)	640,446	(8,314)	(3,149)
Adjustments for:					
Interest income	(74)	(101)	(80)	(42)	(3,205)
Finance costs	8,682	8,026	7,114	3,839	29
Depreciation of property, plant and equipment	28,781	30,376	25,385	10,512	—
Fair value loss (gain) on derivative financial instrument	2,858	(128)	(650)	(929)	—
Share of loss of an associate	—	—	1,223	—	2,463
Loss on disposal of property, plant and equipment	366	381	23	23	—
Gain on deemed disposal of a subsidiary *(note 24)*	—	—	(656,230)	—	—
Operating cash flows before movements in working capital	31,155	22,393	17,231	5,089	(3,862)
(Increase) decrease in inventories	(230)	59	(158)	(4)	—
Increase in trade and other receivables	(499)	(3,643)	(3,509)	(368)	—
Increase (decrease) in trade and other payables	2,330	401	(4,468)	(1,005)	(53)
(Decrease) increase in amounts due from/to fellow subsidiaries	(29,383)	(3,726)	(463)	324	54
NET CASH FROM (USED IN) OPERATING ACTIVITIES	3,373	15,484	8,633	4,036	(3,861)
INVESTING ACTIVITIES					
Additions to property, plant and equipment	(17,412)	(8,619)	(24,171)	(2,051)	—
Placement of pledged bank deposits	(11,581)	—	(297,331)	—	—
Withdrawal of pledged bank deposits	—	—	—	249	306,079
Interest received	74	101	80	42	152
Proceeds from disposal of property, plant and equipment	80	73	5	5	—
Proceeds from deemed disposal of a subsidiary *(note 24)*	—	—	291,073	—	—
Settlement of derivative financial instrument	—	—	(2,080)	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(28,839)	(8,445)	(32,424)	(1,755)	306,231

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
FINANCING ACTIVITIES					
New bank borrowings raised	226,072	—	—	—	—
Repayment of loan from a fellow subsidiary	(118,576)	—	—	—	—
Advance from immediate holding company	127,729	148,659	85,991	8,277	1,285
Repayment to immediate holding company	(202,305)	(135,572)	(56,027)	—	(97,833)
Interest paid	(8,588)	(8,011)	(7,048)	(3,823)	(204)
Repayment of bank borrowings	—	(11,450)	(8,505)	(8,346)	(206,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	24,332	(6,374)	14,411	(3,892)	(302,752)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,134)	665	(9,380)	(1,611)	(382)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	8,513	8,004	8,991	8,991	443
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	625	322	832	69	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	8,004	8,991	443	7,449	61

Notes to the Financial Information of the Makerston Group

1. GENERAL

Makerston was incorporated with limited liability in the BVI. Its ultimate holding company is Rosedale Hotel Holdings Limited ("**Rosedale Hotel**"), a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its immediate holding company is Rosedale Hotel Group Limited ("**RHGL**"), a company incorporated in the BVI. The address of the registered office of Makerston is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI.

Makerston acts as an investment holding company. During the years ended 31st December, 2011 and 2012, its principal subsidiary, namely Rosedale Hotel Beijing Co., Ltd. (the "**PRC Company**") was engaged in the business of hotel operation.

Upon the completion on 29th November, 2013 of the capital increase agreement entered into with an independent third party, details of which are set out in note 24, Makerston's equity interest in the PRC Company has been diluted from 100% to 20%. Accordingly, the PRC Company ceased to be a subsidiary of Makerston and was accounted for as an associate from 29th November, 2013 and the Makerston Group continued to be engaged in the business of hotel operations through its strategic investment in the PRC Company.

The functional currency of Makerston is Renminbi ("**RMB**"). The Financial Information of the Makerston Group is presented in Hong Kong dollars ("**HK$**") for the purpose of management review for the Makerston Transaction.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information of the Makerston Group for the Relevant Period, the Makerston Group has, throughout the Relevant Period, consistently adopted Hong Kong Accounting Standards ("**HKAS**"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1st January, 2014.

The Makerston Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1st July, 2014
2 Effective for annual periods beginning on or after 1st January, 2018
3 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions
4 Effective for annual periods beginning on or after 1st January, 2016
5 Effective for annual periods beginning on or after 1st January, 2017

The directors anticipate that the application of the new and revised HKFRSs will have no material impact on the Financial Information of the Makerston Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information of the Makerston Group has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information of the Makerston Group has been prepared on the historical cost basis except for derivative financial instrument that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Makerston Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information of the Makerston Group incorporates the financial information of Makerston and entities controlled by Makerston and its subsidiaries. Control is achieved when Makerston:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Makerston Group obtains control over the subsidiary and ceases when the Makerston Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Makerston Group gains control until the date when the Makerston Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owner of Makerston. Total comprehensive income of subsidiaries is attributed to the owner of Makerston.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Makerston Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Makerston Group are eliminated in full on consolidation.

Changes in the Makerston Group's ownership interests in existing subsidiaries

When the Makerston Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Makerston Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in an associate

An associate is an entity over which the Makerston Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial information of the Makerston Group using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Makerston Group's share of the profit or loss and other comprehensive income of the associate. When the Makerston Group's share of losses of an associate exceeds the Makerston Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Makerston Group's net investment in the associate), the Makerston Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Makerston Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Makerston Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Makerston Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Makerston Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Makerston Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Makerston Group retains an interest in the former associate and the retained interest is a financial asset, the Makerston Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Makerston Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Makerston Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Makerston Group reduces its ownership interest in an associate but the Makerston Group continues to use the equity method, the Makerston Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Makerston Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Financial Information of the Makerston Group only to the extent of interests in the associate that are not related to the Makerston Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from hotels accommodation, food and banquet operations are recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Makerston Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of services or for administrative purposes are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Makerston Group's accounting policy.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leasehold land and building

When a lease includes both land and building elements, the Makerston Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Makerston Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Financial instruments

Financial assets and financial liabilities are recognised in the Financial Information of the Makerston Group when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Makerston Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a fellow subsidiary, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Makerston Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Makerston Group after deducting all of its liabilities. Equity instruments issued by the Makerston Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Makerston Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to immediate holding company, amounts due to fellow subsidiaries, derivative financial instrument and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Makerston Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Makerston Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Makerston Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Makerston Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Makerston Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Makerston Group derecognises financial liability when, and only when, the Makerston Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and costs necessary to make the sale.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Makerston Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information of the Makerston Group and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with interest in a joint venture, except where the Makerston Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Makerston Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Impairment losses on tangible assets

At the end of the reporting period, the Makerston Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Makerston Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the Financial Information of the Makerston Group, the assets and liabilities of the Makerston Group's foreign operations are translated into the presentation currency of the Makerston Group (i.e. Hong Kong dollar) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Makerston Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Makerston are reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Makerston Group's defined contribution retirement benefit plans, state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4. CAPITAL RISK MANAGEMENT

The Makerston Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. The Makerston Group's overall strategy remained unchanged throughout the Relevant Period.

The capital structure of the Makerston Group consists of net debt, which includes amount due to immediate holding company, amounts due to fellow subsidiaries and bank borrowings disclosed in notes 16 and 19, cash and cash equivalents and equity attributable to owner of Makerston, comprising share capital, various reserves and retained profits.

The directors of Makerston review the capital structure periodically. As part of this review, the directors of Makerston consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Makerston Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31st December,			As at 30th June,
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	25,107	28,189	971,927	666,013
Financial liabilities				
Amortised cost	287,242	299,727	311,763	217,779
Bank borrowings	233,704	222,963	206,000	—
Derivative financial instrument	2,858	2,730	—	—
	523,804	525,420	517,763	217,779

(b) Financial risk management objectives and policies

The Makerston Group's major financial instruments include trade and other receivables, amount due from a fellow subsidiary, pledged bank deposits, bank balances and cash, trade and other payables, amount due to immediate holding company, amounts due to fellow subsidiaries, derivative financial instrument and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Makerston Group operates in the PRC with most of the transactions denominated and settled in RMB, the functional currency of Makerston.

The Makerston Group are mainly exposed to HK$ and United States Dollars ("**US$**"), arising from foreign currency trade and other receivables, amount due from a fellow subsidiary, pledged bank deposits, bank balances and cash, trade and other payables, amount due to immediate holding company, amounts due to fellow subsidiaries and bank borrowings.

	Liabilities				Assets			
	As at 31st December,			As at 30th June,	As at 31st December,			As at 30th June,
	2011	2012	2013	2014	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HK$	511,251	517,081	517,763	217,779	10,059	10,128	10,358	38
US$	—	—	—	—	29	777	296,164	23

Sensitivity analysis

The following table details the Makerston Group's sensitivity to a 5% increase and decrease in the functional currency of RMB against the above foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. A negative number below indicates a decrease in profit/increase in losses where the above foreign currencies strengthen 5% against the functional currency of RMB. For a 5% weakening of the above foreign currencies against the functional currency of RMB, there would be an equal and opposite impact on the profit or losses of the respective years/period.

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in profit/increase in loss for the year/period	(20,924)	(21,133)	(8,819)	(9,090)

(ii) Interest rate risk

The Makerston Group is exposed to cash flow interest rate risk in relation to bank balances and bank borrowings (see notes 17 and 19 for details of these balances). The Makerston Group also has fixed interest rate financial liabilities which exposed the Makerston Group to fair value interest rate risk. It is the Makerston Group's policy to keep its bank balances and borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Makerston Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Makerston Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("**HIBOR**") arising from the Makerston Group's HK$ denominated borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amounts of liabilities outstanding at the end of each of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. No sensitivity is presented for the bank balances as the bank balances are short-term in nature and the impact is insignificant.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Makerston Group's post-tax losses for the years ended 31st December, 2011 and 2012 would increase/decrease by HK$876,000 and HK$831,000 respectively and the Makerston Group's and post-tax profit for the year ended 31st December, 2013 would decrease/increase by HK$420,000,000 respectively. This is mainly attributable to the Makerston Group's exposure to interest rates on its variable-rate loans. The Makerston Group's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable rate debt instruments.

Credit risk

As at the respective reporting dates, the Makerston Group's maximum exposure to credit risk which will cause a financial loss to the Makerston Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position and statements of financial position.

The Makerston Group credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Makerston Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Makerston Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Makerston consider that the Makerston Group's credit risk is significantly reduced.

The Makerston Group has concentration of credit risk on bank balances as 86%, 85%, 99.9% and 99% of balances are placed with two, two, one and one banks of which all are located in the Hong Kong and PRC as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 respectively.

In addition, the Makerston Group has concentration of credit risk in relation to the Deferred Cash Consideration receivable from the deemed disposal of 80% of the equity interest in the PRC Company amounting to HK$665,405,000 at 31st December, 2013 and HK$665,952,000 at 30th June, 2014. Subsequent to 30th June, 2014, the amount has been fully repaid (see note 28).

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Makerston aims at maintaining the flexibility in funding by arranging external financing.

The following tables detail the Makerston Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Makerston Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 31st December, 2011
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2011						
Trade and other payables	—	4,341	—	—	4,341	4,341
Amount due to immediate holding company	—	278,308	—	—	278,308	278,308
Amounts due to fellow subsidiaries	—	4,593	—	—	4,593	4,593
Bank borrowings — variable rate	2.8	4,718	14,392	217,698	236,808	230,000
Bank borrowings — variable rate	8.0	755	800	2,660	4,215	3,704
		292,715	15,192	220,358	528,265	520,946
Derivative financial liability	—	986	1,257	803	3,046	2,858
		293,701	16,449	221,161	531,311	523,804

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 31st December, 2012
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2012						
Trade and other payables	—	4,650	—	—	4,650	4,650
Amount due to immediate holding company	—	294,247	—	—	294,247	294,247
Amounts due to fellow subsidiaries	—	830	—	—	830	830
Bank borrowings — variable rate	2.7	14,174	211,562	—	225,736	220,000
Bank borrowings — variable rate	8.0	755	800	1,727	3,282	2,963
		314,656	212,362	1,727	528,745	522,690
Derivative financial liability	—	1,372	1,480	—	2,852	2,730
		316,028	213,842	1,727	531,597	525,420

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 31st December, 2013
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2013						
Amount due to immediate holding company	—	311,763	—	—	311,763	311,763
Bank borrowings	2.6	206,029	—	—	206,029	206,000
		517,792	—	—	517,792	517,763

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 30th June, 2014
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30th June, 2014						
Amount due to immediate holding company	—	217,725	—	—	217,725	217,725
Amount due to a fellow subsidiary	—	54	—	—	54	54
		217,779	—	—	217,779	217,779

(c) Fair value measurements of financial instruments

The fair value of financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The fair value of other financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For option based derivative, the fair value is estimated using option pricing model.

The directors of Makerston consider that the carrying amounts of financial liabilities recorded at amortised cost in the Financial Information of the Makerston Group approximate their fair values.

The following table gives information about how the fair values of these financial liabilities are determined (in particular the revaluation technique(s) and inputs used), as well as the level of the fair value hierarchy into which fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the liability that are not based on observable market data (unobservable inputs).

Financial liabilities	Fair value as at 31st December, 2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	Fair value as at 30th June, 2014 *HK$'000*	Fair value hierarchy	Valuation technique(s) and key inputs
Interest rate swap as derivative financial instrument in the consolidated statements of financial position	2,858	2,730	—	—	Level 2	Discounted cash flow — future cash flows are estimated based on forward interest rates and contracted interest, discounted at a rate that reflects the credit risk of various counterparties

(d) Fair value measurements recognised in the consolidated statements of financial position

	As at 31st December, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liability at FVTPL				
Derivative financial liability	—	2,858	—	2,858

	As at 31st December, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liability at FVTPL				
Derivative financial liability	—	2,730	—	2,730

There were no transfers between Level 1, 2 and 3 in the Relevant Period.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided by the Makerston Group to outside customers, net of discounts and sales related taxes. It is analysed as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hotel accommodation	49,260	55,011	45,223	22,804	—
Food and beverage	34,560	40,005	33,940	16,965	—
Others	1,670	1,109	912	431	—
	85,490	96,125	80,075	40,200	—

The directors of Makerston, being the chief operating decision makers, assess the performance and allocate the resources of the Makerston Group as a whole because the Makerston Group is solely engaged in hotel operation.

Geographical information

The operation and assets of the Makerston Group are located in the PRC.

Information about major customers

For each of the three years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014, no single customer contributed more than 10% of the total revenue of the Makerston Group.

7. FINANCE COSTS

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on bank borrowings wholly repayable within 5 years	8,682	8,026	7,114	3,839	29

8. INCOME TAX (CREDIT) EXPENSE

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax:					
PRC Enterprise Income Tax	1,804	195	—	—	—
Capital gains tax	—	—	66,744	—	—
Overprovision in prior years	—	—	(1,999)	—	—
	1,804	195	64,745	—	—
Deferred tax *(note 21)*	(5,525)	(5,585)	(4,596)	(2,698)	—
	(3,721)	(5,390)	60,149	(2,698)	—

No provision for Hong Kong Profits Tax has been made as the Makerston Group has no assessable profit for the Relevant Period.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate for the Makerston Group's subsidiary in the PRC is 25% from 1st January, 2008 onwards. According to the EIT Law effective from 1st January, 2008 and its Implementation Regulation, the capital gain derived from share transfer by a non-resident enterprise, representing the difference between the transfer price and the cost of equity rights, is subject to a tax rate of 10%.

In respect of the capital injection in the PRC Company resulting in a deemed disposal as set out in note 24, there was a capital gain arising from the deemed share transfer of the PRC Company. The transaction was completed on 29th November, 2013. According to Guoshinhan [2009] No. 698, there is a potential tax liability for the capital gain on the deemed disposal of the PRC Company to be borne by the PRC Company or DS Eastin (the PRC Company's immediate holding company up to the date of the capital injection). Accordingly, a tax provision amounting to HK$66,744,000 has been recognised on the deemed disposal date.

Upon the completion of the transaction of capital injection (as disclosed in note 24), RHGL, an immediate holding company of Makerston, undertook to Silver Infinite Limited (the "**Purchaser**"), the Makerston Group and the PRC Company that RHGL will fully indemnify the Purchaser, the Makerston Group and the PRC Company against any taxation under the EIT Law arising from the capital increase agreement and the transactions contemplated thereunder, when the same is payable by the Makerston Group and/or the PRC Company, and all demands, claims, proceedings, actions, liabilities, costs and expenses.

No provision for PRC Enterprise Income Tax has been made in the financial information of the Makerston Group for the year ended 31st December, 2013 and the six months ended 30th June, 2014 as the Makerston Group had no assessable profits in the PRC for those year/period.

The tax (credit) expense for year/period can be reconciled to the (loss) profit per the consolidated statements of profit or loss as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit before tax	(9,458)	(16,161)	640,446	(8,314)	(3,149)
Tax at applicable rate of 25%	(2,365)	(4,040)	160,111	(2,078)	(787)
Tax effect of share result of an associate	—	—	306	—	616
Tax effect of expense not deductible for tax purpose	3,900	3,195	6,903	2,450	1,342
Tax effect of income not taxable for tax purpose	(4,870)	(4,051)	(110,817)	(2,771)	(905)
Tax effect of tax losses not recognised	—	—	1,426	—	—
Over-provision in respect of prior years	—	—	(1,999)	—	—
Utilisation of tax losses previously not recognised	(248)	—	—	—	—
Capital gain tax on gain on deemed disposal of a subsidiary	—	—	66,744	—	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	(138)	(494)	(62,525)	(299)	(266)
Income tax (credit) expense for the year/period	(3,721)	(5,390)	60,149	(2,698)	—

Details of deferred taxation are set out in note 21.

9. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit for the year/period has been arrived at after charging:					
Directors' emoluments	—	—	—	—	—
Staff salaries and allowances	21,196	23,761	21,390	11,337	—
Retirement benefits scheme contributions	2,277	2,531	2,596	1,372	—
Total employee benefits expenses	23,473	26,292	23,986	12,709	—
Auditor's remuneration	154	154	92	92	50
Depreciation of property, plant and equipment	28,781	30,376	25,385	10,512	—
Loss on disposal of property, plant and equipment	366	381	23	23	—
Loss from changes in fair value of derivative financial instrument	2,858	—	—	—	—
Net exchange loss	—	—	—	—	5,783
and after crediting:					
Interest income	74	101	80	43	3,205
Gain from changes in fair value of derivative financial instrument	—	128	650	929	—
Net exchange gain	20,659	4,481	6,374	5,437	—

10. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. DIVIDENDS

No dividends have been paid or declared by Makerston during the three years ended 31st December, 2013 and the six months ended 30th June, 2014. Subsequent to 30th June, 2014, a dividend of HK$664,241,000 has been paid to RHGL after the full receipts of the Deferred Cash Consideration.

12. PROPERTY, PLANT AND EQUIPMENT

	Hotel property *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Office equipment and machinery *HK$'000*	Total *HK$'000*
COST						
At 1st January, 2011	798,294	18,616	20,688	3,770	71,747	913,115
Additions	—	15,840	1,214	—	358	17,412
Disposals	—	—	(3,783)	—	(676)	(4,459)
Exchange realignment	40,241	919	1,022	186	3,543	45,911
At 31st December, 2011	838,535	35,375	19,141	3,956	74,972	971,979
Additions	—	7,497	472	—	650	8,619
Disposals	—	—	(1,136)	—	(3,398)	(4,534)
Exchange realignment	6,227	318	138	30	536	7,249
At 31st December, 2012	844,762	43,190	18,615	3,986	72,760	983,313
Additions	19,380	4,090	224	—	477	24,171
Disposals	—	—	(169)	—	(115)	(284)
Disposal of a subsidiary	(876,285)	(50,115)	(19,201)	(4,208)	(78,946)	(1,028,755)
Exchange realignment	12,143	2,835	531	222	5,824	21,555
At 31st December, 2013 and 30th June, 2014	—	—	—	—	—	—
ACCUMULATED DEPRECIATION						
At 1st January, 2011	148,068	10,286	16,949	2,661	68,037	246,001
Provided for the year	22,870	4,428	781	350	352	28,781
Disposals	—	—	(3,405)	—	(608)	(4,013)
Exchange realignment	9,341	526	855	140	3,369	14,231
At 31st December, 2011	180,279	15,240	15,180	3,151	71,150	285,000
Provided for the year	21,888	7,088	759	253	388	30,376
Disposals	—	—	(1,022)	—	(3,058)	(4,080)
Exchange realignment	1,501	166	111	26	508	2,312
At 31st December, 2012	203,668	22,494	15,028	3,430	68,988	313,608
Provided for the year	19,140	5,189	570	118	368	25,385
Disposals	—	—	(152)	—	(104)	(256)
Disposals of a subsidiary	(226,958)	(28,815)	(15,740)	(3,710)	(74,447)	(349,670)
Exchange realignment	4,150	1,132	294	162	5,195	10,933
At 31st December, 2013 and 30th June, 2014	—	—	—	—	—	—
CARRYING VALUES						
At 31st December, 2013 and 30th June, 2014	—	—	—	—	—	—
At 31st December, 2012	641,094	20,696	3,587	556	3,772	669,705
At 31st December, 2011	658,256	20,135	3,961	805	3,822	686,979

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum, after taking into account of their estimate residual value.

Hotel property (comprising land and buildings)	Over the shorter of the remaining lease terms and 2.5%
Leasehold improvements	10%–20% or the term of the lease, if shorter
Furniture and fixtures	10%–20%
Motor vehicles	8.33%–20%
Office equipment and machinery	20%

The hotel property is situated in Beijing, the PRC under a medium term lease.

The Makerston Group had pledged the hotel property with an aggregate carrying value of HK$658,256,000 and HK$641,094,000 as at 31st December, 2011 and 31st December, 2012 respectively, to secure general banking facilities granted to the Makerston Group.

The directors of Makerston have reviewed the recoverable amounts of the hotel property with reference to its fair values at the end of each of the years ended 31st December, 2011 and 2012, which have been arrived at on the basis of a valuation carried out on these dates by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Makerston Group and a member of the Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar properties in relevant location. The valuations were arrived at using the comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property. No impairment loss was recognised in relation to the hotel property as its fair values determined in this manner were estimated to be higher than their carrying amounts on the respective dates.

13. INTEREST IN AN ASSOCIATE

	As at 31st December, 2011	2012	2013	As at 30th June, 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost of unlisted investment in an associate				
Unlisted investment *(note)*	—	—	270,850	270,850
Share of post-acquisition losses and other comprehensive expense	—	—	(1,223)	(7,338)
	—	—	269,627	263,512

Particulars of the Makerston Group's associate as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 are as follows:

Name	Place of incorporation	Registered capital	Proportion of registered capital held by the Makerston Group: As at 31st December, 2011	2012	2013	As at 30th June, 2014	Portion of voting rights held by the Makerston Group: As at 31st December, 2011	2012	2013	As at 30th June, 2014	Principal activity
Rosedale Hotel Beijing Co., Ltd. 北京珀麗酒店有限責任公司	PRC	US$86,000,000	*(note)*	*(note)*	20%	20%	*(note)*	*(note)*	20%	20%	Hotel operation in Beijing

Note: As set out in note 24, the Makerston Group holds a 20% investment in the PRC Company following the deemed disposal by the Makerston Group of a portion of its interest therein, which was completed on 29th November, 2013.

Upon the completion of the deemed disposal, the PRC Company ceased to be a subsidiary of the Makerston Group and became an associate of the Makerston Group, over which the Makerston Group is able to exercise significant influence because it has the power to appoint one out of five directors of the PRC Company under the shareholders' agreement.

The PRC Company is strategic to the Makerston Group as it is engaged in hotel operation in Beijing and it enables the Makerston Group to keep the exposure to this market through local expertise. The Makerston Group's business model after the deemed disposal date is to continue to engage in its hotel operation business through its strategic investment in the associate. Thus, the investment in an associate is a key component of the Makerston Group.

On 29th November, 2013, the capital injection of the PRC Company was completed. The cumulative exchange difference arising on translation of functional currency to presentation currency prior to the capital injection was transferred to the accumulated profits accordingly as the PRC Company ceased to be a subsidiary of the Makerston Group.

The Makerston Group's interest in the PRC Company is initially measured at its fair value, which is determined with reference to the total consideration paid by the Investor (as defined in note 24) for the capital contribution to the PRC Company and Deferred Cash Consideration (as defined in note 24) required to be paid to DS Eastin, after taking into account the estimated control premium paid by the Investor.

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The PRC Company

	As at 31st December, 2013	**As at 30th June, 2014**
	HK$'000	*HK$'000*
Current assets	252,445	165,852
Non-current assets	680,001	736,870
Current liabilities	(19,991)	(21,188)
Non-current liabilities	(105,170)	(100,119)

Current assets mainly comprise bank balances and cash of HK$243,573,000 and HK$68,785,000 as at 31st December, 2013 and 30th June, 2014 respectively, and structured deposit of HK$87,360,000 as at 30th June, 2014.

Non-current assets represent property, plant and equipment.

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. Details of the financial information of the PRC Company for each of the three years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014 are included in Appendix IIB to the Circular.

	From 30th November, 2013 to 31st December, 2013	**Six months ended 30th June, 2014**
	HK$'000	*HK$'000*
Revenue	6,504	41,298
Loss for the period	(6,116)	(7,610)
Other comprehensive expense	—	(18,260)
Total comprehensive expenses for the period	(6,116)	(25,870)
Dividends received from the associate during the period	—	—

Reconciliation of the above summarised Financial Information to the carrying amount of the above associate recognised in the Financial Information of the Makerston Group.

	As at 31st December, 2013	**As at 30th June, 2014**
	HK$'000	*HK$'000*
Net assets of the associate	807,285	781,415
Proportion of the Makerston Group's ownership interest in the associate	20%	20%
Net assets of the associate shared by the Makerston Group	161,457	156,283
Effect of fair value adjustments at acquisition	108,170	107,229
Carrying amount of the Makerston Group's interest in the associate	269,627	263,512

14. INVENTORIES

The inventories were carried at cost and represent principally food, beverages and general stores which are to be utilised in the ordinary course of operations.

15. TRADE AND OTHER RECEIVABLES

	As at 31st December,			**As at 30th June,**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	4,957	7,050	—	—
Deposits and prepayments	5,277	6,832	—	—
Deferred Cash Consideration receivable *(note)*	—	—	665,405	665,952
Other receivables	7	1	—	—
	10,241	13,883	665,405	665,952

Note: The deferred cash consideration receivable represents the Deferred Cash Consideration (as defined in note 24) in respect of the deemed disposal of the PRC Company. The amount has been fully settled subsequent to 30th June, 2014.

The Makerston Group allows credit period up to 60 days to certain customers. The following is an analysis of trade receivables by age, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition date.

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	2,692	2,911	—	—
31–60 days	1,747	1,935	—	—
61–90 days	280	1,328	—	—
Over 90 days	238	876	—	—
	4,957	7,050	—	—

Before accepting any new customer, the Makerston Group has assessed the potential customer's credit quality and defined credit limits by customer. The Makerston Group seeks to maintain strict control over its trade receivables to minimise credit risk and limits granted to customers are reviewed regularly.

Included in the trade receivables balances are debtors with aggregate carrying amount of HK$518,000, HK$2,204,000, nil and nil which are past due at 31st December, 2011, 2012 and 2013 and 30th June, 2014 for which the Makerston Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Makerston Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
61–90 days	280	1,328	—	—
Over 90 days	238	876	—	—
	518	2,204	—	—

16. AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

17. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances carry interest at market rates of 1.76%, 1.21%, 0.01% and 0.01% per annum as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 respectively.

Pledged bank deposits as at 31st December, 2011 and 2012 of HK$11,867,000 and HK$11,780,000 respectively, were pledged for a long-term borrowing, and accordingly, the amount was classified as non-current.

At 31st December, 2013, the pledged bank deposits of HK$306,079,000 were pledged for bank borrowings repayable within twelve months from the end of the reporting period, and accordingly, the amount is classified as a current asset.

18. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$4,247,000, HK$4,541,000, nil and nil and the aging analysis of the trade payables presented based on the invoice date at 31st December, 2011, 2012, 2013 and 30th June, 2014 are as follows:

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	1,474	1,421	—	—
31–60 days	1,457	1,279	—	—
61–90 days	999	1,161	—	—
Over 90 days	317	680	—	—
	4,247	4,541	—	—

The credit period on purchases of goods ranged from 30 to 60 days. The Makerston Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame. Included in other payables at 31st December, 2011, 2012 and 2013 and 30th June, 2014 are deposits received for hotel room reservations of HK$2,674,000, HK$2,533,000, nil and nil and accrued salaries and allowance of HK$5,395,000, HK$5,830,000, nil and nil.

19. BANK BORROWINGS

	Effective interest rate				Carrying amount			
	As at 31st December,			As at 30th June,	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**	**2011**	**2012**	**2013**	**2014**
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings								
People's Bank of China benchmark deposit rate times 120% secured RMB loan	8.0%	8.0%	—	—	3,704	2,963	—	—
HIBOR plus 2.4% secured HK$ loan	2.8%	2.7%	2.6%	—	230,000	220,000	206,000	—
					233,704	222,963	206,000	—

	As at 31st December, 2011 HK$'000	2012 HK$'000	2013 HK$'000	As at 30th June, 2014 HK$'000
Carrying amount repayable*:				
Within one year	10,741	14,741	206,000	—
More than one year but not exceeding two years	14,741	206,741	—	—
More than two years but not exceeding five years	208,222	1,481	—	—
	233,704	222,963	206,000	—
Less: Amount due within one year shown under current liabilities	(10,741)	(14,741)	(206,000)	—
Amounts shown under non-current liabilities	222,963	208,222	—	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At the end of the reporting period, the Makerston Group has the following undrawn borrowing facilities:

	As at 31st December, 2011 HK$'000	2012 HK$'000	2013 HK$'000	As at 30th June, 2014 HK$'000
Floating rate — expiring beyond one year	58,765	58,025	—	—

Bank deposits of HK$11,867,000, HK$11,780,000 and HK$306,079,000 and nil were pledged as securities for these bank borrowings as at 31st December, 2011, 2012 and 2013 and 30th June, 2014.

Corporate guarantees were issued by Rosedale Hotel to the bank for the bank borrowings of the Makerston Group during the Relevant Period.

20. DERIVATIVE FINANCIAL INSTRUMENT

During the year ended 31st December, 2013, the Makerston Group settled an interest rate swap taken out with a bank which is not under hedge accounting. The major terms of the interest rate swap are as follows:

Notional amount	Commencement date	Maturity date	Settlement date	Swaps
HK$100,000,000	25th March, 2011	25th December, 2014	24th December, 2013	Pay fixed at 1.765%, receive variable at 3 months HIBOR

The loss on fair value changes of the interest rate swap was HK$2,858,000 and was debited directly to profit or loss in the "administrative expense" line item during the year ended 31st December, 2011. The gain on fair value changes of the interest rate swap was HK$128,000 and HK$650,000 for the years ended 31st December, 2012 and 2013 respectively, and was credited to profit or loss and included in the "other income" line item.

21. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movement thereon during the Relevant Period.

	Fair value adjustment on hotel property
	HK$'000
At 1st January, 2011	111,980
Credit to profit or loss	(5,525)
Exchange realignment	5,393
At 31st December, 2011	111,848
Credit to profit or loss	(5,585)
Exchange realignment	1,218
At 31st December, 2012	107,481
Credit to profit or loss	(4,596)
Deemed disposal of a subsidiary	(104,113)
Exchange realignment	1,228
At 31st December, 2013 and 30th June, 2014	—

22. SHARE CAPITAL

Makerston	**Number of shares**	**Amount**
		HK$
Authorised		
Shares at US$1 (equivalent to HK$8) each 1st January, 2011, 31st December, 2011, 31st December, 2012, 31st December, 2013 and 30th June, 2014	50,000	400,000
Issued and fully paid		
Share of US$1 (equivalent to HK$8) each 1st January, 2011, 31st December, 2011, 31st December, 2012, 31st December, 2013 and 30th June, 2014	1	8

	HK$'000
Shown in the Financial Information of the Makerston Group as:	
At 31st December, 2011, 2012 and 2013 and 30th June, 2014	—

23. SHARE OPTION SCHEME

The share option scheme of Rosedale Hotel (the "**Rosedale Hotel 2002 Scheme**") adopted on 3rd May, 2002 (as amended on 27th May, 2005) expired on 3rd May, 2012. No share options were granted under the Rosedale Hotel 2002 Scheme during the year ended 31st December, 2011 and 2012, nor outstanding under the Rosedale Hotel 2002 Scheme at 31st December, 2012.

Following the expiry of the Rosedale Hotel 2002 Scheme, a new share option scheme of Rosedale Hotel (the "**Rosedale Hotel 2013 Scheme**") was adopted on 30th May, 2013 and became effective on 3rd June, 2013. The purpose of the Rosedale Hotel 2013 Scheme is to enable Rosedale Hotel to grant options to subscribe for shares of Rosedale Hotel (the "**Options**") to any eligible employee (including executive directors), any non-executive director, any supplier of goods or services and any customer of Rosedale Hotel or any entity in which Rosedale Hotel holds an equity interest (the "**Invested Entity**"), any consultant, any adviser manager, officer and entity that provide research development or other technological support to Rosedale Hotel and the Invested Entity any shareholder or any member of Rosedale Hotel who has contributed to the business of Rosedale Hotel or any Invested Entity or any holder of any securities issued by any member of Rosedale Hotel or any Invested Entity, as incentives or rewards for their contributions or potential contribution to Rosedale Hotel.

The total number of shares in respect of which Options may be granted under the Rosedale Hotel 2013 Scheme, when aggregated with any shares subject to any other schemes, is not permitted to exceed 10% of the shares of Rosedale Hotel in issue on the date of adoption of the Rosedale Hotel 2013 Scheme (the "**General Limit**") unless Rosedale Hotel obtains an approval from its shareholders to refresh the General Limit such that the number of shares of Rosedale Hotel in respect of which Options may be granted under the Rosedale Hotel 2013 Scheme and any other share option schemes of Rosedale Hotel shall not exceed 10% of the shares of Rosedale Hotel in issue as at the date of approval. Nevertheless, the maximum number of shares of Rosedale Hotel which may be issued upon exercise of all outstanding Options granted and not yet exercised under the Rosedale Hotel 2013 Scheme and any other share option schemes of Rosedale Hotel shall not exceed 30% of the issued shares of Rosedale Hotel from time to time. The Rosedale Hotel 2013 Scheme shall be valid and effective for a period of 10 years commencing on 3rd June, 2013 subject to earlier termination by Rosedale Hotel in general meeting or by its board of directors.

The acceptance of an Option granted under the Rosedale Hotel 2013 Scheme must be taken up within 21 days from the date of grant and to be accompanied by payment of the consideration of HK$1. The Options may be exercised in accordance with the terms of the Rosedale Hotel 2013 Scheme at any time during a period as the board of directors of Rosedale Hotel may in its absolute discretion determine which shall not be more than 10 years from the Offer Date and subject to the provisions of early termination thereof and the board of directors of Rosedale Hotel may provide restrictions on the exercise of an Option.

No Options under the Rosedale Hotel 2013 Scheme were granted, exercised, cancelled or lapsed during the year ended 31st December, 2013 and the three months ended 31st March, 2014, nor outstanding under the Rosedale Hotel 2013 Scheme at 31st December, 2013 and 30th June, 2014.

24. DEEMED DISPOSAL OF A SUBSIDIARY

On 31st May, 2013, DS Eastin, the PRC Company and Rosedale Hotel entered into a capital increase agreement with an independent third party (the "**Investor**"). Pursuant to the agreement, the PRC Company was eligible to increase its registered capital from US$17,200,000 to US$86,000,000 and the increase in registered capital of US$68,800,000 would be injected by the subsidiary of the Investor and an amount of net compensation of RMB530,310,000 (representing approximately HK$665,405,000) would be paid by the Investor within six months after the completion date to DS Eastin (the "**Deferred Cash Consideration**"). The capital injection was completed on 29th November, 2013 and has resulted in the recognition of a gain of HK$656,230,000 in profit or loss for the year ended 31st December, 2013. Accordingly, the PRC Company ceased to be a subsidiary of the Makerston Group from 29th November, 2013 and the Makerston Group has retained 20% interest in the PRC Company as an associate.

The net assets of the PRC Company disposed of were as follows:

	2013
	HK$'000
Property, plant and equipment	679,085
Inventories	2,693
Trade and other receivables	15,735
Pledged bank deposit	1,340
Bank balances and cash	6,974
Trade and other payable	(14,749)
Deferred taxation	(104,113)
Shareholder's loan *(note)*	(298,047)
Amounts due to fellow subsidiaries	(6,238)
Bank borrowings	(2,655)
Net assets disposed of	280,025
Deferred Cash Consideration	665,405
Gain on deemed disposal of the subsidiary	
Deferred Cash Consideration	665,405
Net assets disposed of	(280,025)
Initial recognition at fair value of 20% interest in the PRC Company as an interest in an associate *(note 13)*	270,850
Gain on disposal before taxation	656,230
Less: Estimated capital gains tax	(66,744)
Gain on disposal after taxation	589,486

Net cash inflow arising on the disposal:

	2013
	HK$'000
Repayment of shareholder's loan by the PRC Company *(note)*	298,047
Less: Bank balances and cash disposed of	(6,974)
	291,073

Note: As agreed by the parties to the capital increase agreement, the amount of the capital injected into the PRC Company shall be firstly applied to the settlement of the shareholder's loan and the amounts due to fellow subsidiaries. Therefore, there is repayment from the PRC Company of the amounts of HK$298,047,000 being received by the Makerston Group upon the completion of the deemed disposal.

The Deferred Cash Consideration of HK$665,405,000 was scheduled to be settled in cash to DS Eastin by the Investor on or before 29th May, 2014. Based on the capital increase agreement, the obligation of the Investor to pay the Deferred Cash Consideration to the Makerston Group is secured by the pledge to the Makerston Group of 50% of the equity interest in the PRC Company.

The Deferred Cash Consideration has been fully settled on 8th September, 2014.

The PRC Company contributed HK$85,490,000, HK$96,125,000 and HK$80,075,000 to the revenue of the Makerston Group for the years ended 31st December, 2011, 2012 and 2013 respectively. It contributed net losses of HK$14,050,000, HK$18,513,000 and HK$15,997,000 to the Makerston Group for the years ended 31st December, 2011, 2012 and 2013 respectively.

25. PLEDGE OF ASSETS

Save as otherwise disclosed elsewhere in this report, the Makerston Group's credit facilities were secured by the Makerston Group's assets as follows:

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hotel property	658,256	641,094	—	—
Bank balances	11,867	11,780	306,079	—
	670,123	652,874	306,079	—

As at 31st December, 2011 and 2012, the Makerston Group has also pledged the following assets for the bank borrowings:

(a) A floating charge over all the revenue and a fixed charge over all assets of the PRC Company.

The charge under item (a) above and the pledge of hotel property were released on 18th December, 2013.

As at 31st December, 2013, the Makerston Group has also pledged the following assets for the bank borrowing:

(b) A fixed charge over the entire issued share capital in DS Eastin, which holds 20% of equity interest in the PRC Company;

(c) A fixed charge over 20% of registered capital of the PRC Company;

(d) A fixed charge over the bank deposits of DS Eastin.

The assets pledged under item (b), (c) and (d) were released on 3rd January, 2014.

26. CAPITAL COMMITMENTS

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for but not provided in financial statements in respect of:				
Purchase of property, plant and equipment	2,151	161	—	—

27. RELATED PARTY DISCLOSURES

(a) Details of balances with related parties at the end of each reporting period and significant transactions entered into during the Relevant Period are as follows:

(i) Balances

Details of the Makerston Group's outstanding balances with related companies are set out in the consolidated statements of financial position of the Makerston Group and note 16.

(ii) Transactions

Name of company	Relationship	Nature of transaction	Year ended 31st December, 2011	2012	2013	Six months ended 30th June, 2013	2014
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rosedale Hotel Management International Limited	Fellow subsidiary	Consultancy fee expense	3,600	3,600	3,300	1,811	—
		Design fee	1,200	1,200	1,200	300	—
Rosedale Hotel Group Limited ("**RHGL HK**") *(note)*	Fellow subsidiary	License fee expense	2,260	2,542	2,117	1,069	—
Rosedale Group Management Limited	Fellow subsidiary	Secondment fee expense	1,800	1,800	1,800	900	150

Note: RHGL HK, which has the same name as RHGL, is incorporated in Hong Kong.

(b) Guarantees in support of the Makerston Group's bank borrowings

Corporate guarantees were issued by Rosedale Hotel to the bank for the bank borrowings of the Makerston Group during the Relevant Period.

(c) Compensation of key management personnel

The directors are considered to be key management personnel of Makerston. There was no compensation paid to the directors for each of the reporting periods.

28. EVENT AFTER END OF REPORTING PERIOD

Subsequent to 30th June, 2014, the Investor has made full settlements of the remaining balance of the Deferred Cash Consideration (as disclosed in note 24). A dividend of HK$664,241,000 has been declared and paid to RHGL after the full receipts of the Deferred Cash Consideration.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Makerston or any companies of the Makerston Group subsequent to 30th June, 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE MAKERSTON GROUP

Set out below is the management discussion and analysis of the Makerston Group for the three years ended 31st December, 2011, 2012 and 2013 respectively and the six months ended 30th June, 2014 (the "**Relevant Periods**").

Business review

The principal asset of the Makerston Group was the Beijing Hotel which was operated as a "Rosedale" branded 4-star rated hotel with 462 guestrooms, restaurants and a shopping arcade. On 29th November, 2013, the Makerston Group was deemed to dispose of 80% interest in the PRC Company which was the owner of the Beijing Hotel (the "**Deemed Disposal**"). Afterwards, the Makerston Group accounted for its remaining 20% interest in the PRC Company as an associated company.

Financial results

The revenue for each of the years ended 31st December, 2011, 2012 and 2013 was HK$84.5 million, HK$96.1 million and HK$80.1 million respectively. The growth in revenue achieved in 2012 was mainly due to the improvement in both room and restaurant businesses resulting from the rises in price and number of guests coupling with the appreciation of Renminbi against Hong Kong dollars. The results of the PRC Company were consolidated by the Makerston Group up to the date of the Deemed Disposal, i.e. 29th November, 2013. As compared with the net losses of HK$5.7 million and HK$10.8 million for the years ended 31st December, 2011 and 2012 respectively, there was a substantial improvement in the net profit of HK$580.3 million for the year ended 31st December, 2013 due to a gain of HK$656.2 million recognised from the Deemed Disposal. The net loss for the six months ended 30th June, 2014 was HK$3.1 million which comprised of the share of loss of the PRC Company of HK$2.5 million.

Liquidity and capital resources

Financial position

As at 31st December, 2011 and 2012, the PRC Company had property, plant and equipment, mainly comprising of the Beijing Hotel, of HK$687.0 million and HK$669.7 million respectively. At 31st December, 2013 and 30th June, 2014, the significant assets comprised of (i) the remaining 20% interest in the PRC Company classified as investment in an associated company of HK$269.6 million and HK$263.5 million respectively; and (ii) the Compensated Amount receivable of HK$665.4 million and HK$665.9 million respectively.

The Makerston Group mainly financed its operations by advance from immediate holding company and bank borrowing, which were mostly denominated in Hong Kong dollars. The amounts due to immediate holding company were unsecured, interest free and repayable on demand which balances at 31st December, 2011, 2012 and 2013 and 30th June, 2014 were HK$278.3 million, HK$294.2 million, HK$311.6 million and HK$217.7 million respectively. The bank borrowing was secured by the Beijing Hotel and bearing interest at a floating rate which balances at 31st December, 2011, 2012 and 2013 were HK$233.7 million, HK$223.0 million and HK$206.0 million respectively of which HK$10.7 million, HK$14.7 million and HK$206.0 million were repayable within one (1) year while the remaining balances (if any) were repayable after one (1) year. Upon the Deemed Disposal, repayment of shareholder's loan was received from the PRC Company which was in turn utilised to settle the bank borrowings in full in January 2014. There were net current liabilities of HK$293.8 million and HK$305.8 million at 31st December, 2011 and 2012 respectively. As a result of the Deemed Disposal, the financial position was improved and there were net current assets of HK$387.4 million and HK$381.5 million at 31st December, 2013 and 30th June, 2014 respectively.

Gearing ratio

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the gearing ratio of the Makerston Group, calculated as a percentage of the Makerston Group's total liabilities (excluding deferred tax liabilities) to its total assets, were 74.7%, 76.3%, 47.1% and 30.6% respectively.

Securities and guarantee

Apart from the pledge of the Beijing Hotel and certain bank balances in aggregate of HK$670.1 million and HK$652.9 million as securities for the bank borrowing granted to the Makerston Group as at 31st December, 2011 and 2012, and the pledge of certain bank balances of HK$306.1 million as at 31st December, 2013 pending for release (release date 3rd January, 2014), the Makerston Group had not made any pledge of or created any security over assets and had not provided any corporate guarantee as at 31st December, 2011, 2012 and 2013 and 30th June, 2014.

Contingent liabilities

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the Makerston Group did not have any significant contingent liability.

Exchange rate risk

The majority of the Makerston Group's assets including the Beijing Hotel, the interest in an associated company and the Compensated Amount receivable were denominated in Renminbi. During the Relevant Periods, the Makerston Group has not entered into any hedging arrangements.

Credit risk

As at 31st December, 2011 and 2012, the Makerston Group did not have any significant concentration of credit risk. As at 31st December, 2013 and 30th June, 2014, the Makerston Group has concentration of credit risk on the Compensated Amount receivable from the counterparties which were considered of good credit quality by taking into account their financial background.

Material acquisition and disposal

Apart from the Deemed Disposal, there was no material acquisition and/or disposal by the Makerston Group during the Relevant Periods.

Future plan for capital assets

The PRC Company had obtained a consent from the Beijing Municipal Commission of Urban Planning on 24th January, 2013 for the extension of the Beijing Hotel to increase its gross floor area by approximately 25,000 m^2. According to the PRC JV Agreement, the Makerston Group shall contribute not more than RMB30.0 million (equivalent to HK$37.8 million), which is intended to be financed by its internal resources, into the PRC Company if additional fund is required for such extension development.

Staff and remuneration policy

As at 31st December, 2011 and 2012, the Makerston Group had 370 and 377 employees. There was no employee at 31st December, 2013 and 30th June, 2014 after the Deemed Disposal. Competitive remuneration packages were structured to commensurate with the responsibilities, qualifications, experience and performance of individual employee. The Makerston Group also provided training programs, provident fund scheme and medical insurance for its employees.

1. ACCOUNTANTS' REPORT ON THE PRC COMPANY

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

10th November, 2014

The Directors
ITC Properties Group Limited

Dear Sirs,

We set out below our report on the financial information relating to Rosedale Hotel Beijing Co., Ltd. (the "**PRC Company**") for each of the three years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014 (the "**Relevant Period**") (the "**Financial Information of the PRC Company**") for inclusion in the circular of ITC Properties Group Limited ("**ITCP**") dated 10th November, 2014 in connection with, amongst others, the proposed acquisition of the entire issued share capital of Makerston Limited ("**Makerston**") and the shareholder's loan due by Makerston (the "**Makerston Transaction**") (the "**Circular**").

The PRC Company is established in the People's Republic of China (the "**PRC**") as a wholly foreign-owned enterprise.

The statutory financial statements of the PRC Company for the each of the three years ended 31st December, 2011, 2012 and 2013 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC applicable to PRC enterprises. The statutory financial statements for the years ended 31st December, 2011 and 2012 were audited by 北京譽興會計師事務所有限責任公司. The statutory financial statements for the year ended 31st December, 2013 were audited by 北京中瑞誠會計師事務所有限公司.

For the purpose of this report, the directors of the PRC Company have prepared the financial statements of the PRC Company for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). We have carried out an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the PRC Company for the Relevant Period set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made by us to the Underlying Financial Statements for the preparation of the Financial Information of the PRC Company.

The preparation of the Underlying Financial Statements is the responsibility of the directors of the PRC Company who approved their issue. The directors of ITCP are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information of the PRC Company set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information of the PRC Company and to report our opinion to you.

In our opinion, the Financial Information of the PRC Company gives, for the purpose of this report, a true and fair view of the state of affairs of the PRC Company as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 and of the results and cash flows of the PRC Company for the Relevant Period.

The comparative statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the PRC Company for the six months ended 30th June, 2013 together with the notes thereon have been extracted from the PRC Company's unaudited financial information for the same period (the "**June 2013 Financial Information**") which was prepared by the directors of the PRC Company solely for the purpose of this report. We conducted our review of the June 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the June 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information of the PRC Company which conform with HKFRSs.

A. FINANCIAL INFORMATION OF THE PRC COMPANY

Statements of Profit or Loss

		Year ended 31st December,			Six months ended 30th June,	
		2011	2012	2013	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	*7*	85,490	96,125	86,579	40,200	41,298
Cost of sales and services		(61,542)	(66,346)	(62,277)	(30,534)	(32,229)
Gross profit		23,948	29,779	24,302	9,666	9,069
Other income		14,219	2,744	5,966	4,633	1,826
Administrative expenses		(38,168)	(38,678)	(44,048)	(17,157)	(20,927)
Finance costs	*8*	(17,769)	(17,748)	(15,382)	(8,434)	—
Loss before tax		(17,770)	(23,903)	(29,162)	(11,292)	(10,032)
Income tax credit	*9*	3,720	5,390	7,049	2,698	2,422
Loss for the year/period	*10*	(14,050)	(18,513)	(22,113)	(8,594)	(7,610)

Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Loss for the year/period	(14,050)	(18,513)	(22,113)	(8,594)	(7,610)
Other comprehensive income (expense) for the year/period					
Item that will not be subsequently reclassified to profit or loss					
Exchange differences arising on translation of functional currency to presentation currency	13,916	2,448	20,962	4,774	(18,260)
Total comprehensive expense for the year/period	(134)	(16,065)	(1,151)	(3,820)	(25,870)

Statements of Financial Position

	Notes	As at 31st December, 2011 HK$'000	2012 HK$'000	2013 HK$'000	As at 30th June, 2014 HK$'000
Non-current assets					
Property, plant and equipment	*12*	686,979	669,705	680,001	736,870
Pledged bank deposits	*17*	1,860	1,673	—	—
		688,839	671,378	680,001	736,870
Current assets					
Inventories	*13*	2,593	2,535	2,758	2,469
Trade and other receivables	*14*	6,753	7,957	6,114	7,238
Amount due from a fellow subsidiary	*15*	272	367	—	—
Structured deposit	*16*	—	—	—	87,360
Bank balances and cash	*17*	7,937	8,257	243,573	68,785
		17,555	19,116	252,445	165,852
Current liabilities					
Trade and other payables	*18*	16,423	16,821	19,991	21,188
Amount due to immediate holding company	*15*	29,112	37,554	—	—
Amounts due to fellow subsidiaries	*15*	4,593	831	—	—
Loan from immediate holding company	*15*	247,784	247,784	—	—
Bank borrowing — due within one year	*19*	741	741	—	—
Tax payable		1,804	1,999	—	—
		300,457	305,730	19,991	21,188
Net current (liabilities) assets		(282,902)	(286,614)	232,454	144,664
Total assets less current liabilities		405,937	384,764	912,455	881,534
Non-current liabilities					
Bank borrowing — due after one year	*19*	2,963	2,222	—	—
Deferred taxation	*20*	111,848	107,481	105,170	100,119
		114,811	109,703	105,170	100,119
Net assets		291,126	275,061	807,285	781,415
Capital and reserve					
Registered capital	*21*	91,031	91,031	624,406	624,406
Reserves		200,095	184,030	182,879	157,009
		291,126	275,061	807,285	781,415

Statements of Changes in Equity

	Registered capital HK$'000	Capital reserve HK$'000 (note 1)	Revaluation reserve HK$'000 (note 2)	Translation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1st January, 2011	91,031	65,240	477,371	104,210	(446,592)	291,260
Exchange difference arising on translation of functional currency to presentation currency	—	—	—	13,916	—	13,916
Loss for the year	—	—	—	—	(14,050)	(14,050)
Total comprehensive expense for the year	—	—	—	13,916	(14,050)	(134)
At 31st December, 2011	91,031	65,240	477,371	118,126	(460,642)	291,126
Exchange difference arising on translation of functional currency to presentation currency	—	—	—	2,448	—	2,448
Loss for the year	—	—	—	—	(18,513)	(18,513)
Total comprehensive expense for the year	—	—	—	2,448	(18,513)	(16,065)
At 31st December, 2012	91,031	65,240	477,371	120,574	(479,155)	275,061
Exchange difference arising on translation of functional currency to presentation currency	—	—	—	20,962	—	20,962
Loss for the year	—	—	—	—	(22,113)	(22,113)
Total comprehensive expense for the year	—	—	—	20,962	(22,113)	(1,151)
Capital injection *(note 21)*	533,375	—	—	—	—	533,375
At 31st December, 2013	624,406	65,240	477,371	141,536	(501,268)	807,285
Exchange difference arising on translation of functional currency to presentation currency	—	—	—	(18,260)	—	(18,260)
Loss for the period	—	—	—	—	(7,610)	(7,610)
Total comprehensive expense for the period	—	—	—	(18,260)	(7,610)	(25,870)
At 30th June, 2014	624,406	65,240	477,371	123,276	(508,878)	781,415
Unaudited						
At 1st January, 2013	91,031	65,240	477,371	120,574	(479,155)	275,061
Exchange difference arising on translation of functional currency to presentation currency	—	—	—	4,774	—	4,774
Loss for the period	—	—	—	—	(8,594)	(8,594)
Total comprehensive expense for the period	—	—	—	4,774	(8,594)	(3,820)
At 30th June, 2013	91,031	65,240	477,371	125,348	(487,749)	271,241

Note 1: The capital reserve represents a deemed contribution from a former shareholder in prior years.

Note 2: The revaluation reserve arose on measuring the hotel property of the PRC Company at its fair value on the date of its transition to HKFRSs which was on a date prior to the Relevant Period, net of the related deferred tax.

Statements of Cash Flows

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES					
Loss before tax	(17,770)	(23,903)	(29,162)	(11,292)	(10,032)
Adjustments for:					
Depreciation of property, plant and equipment	28,781	30,376	27,382	10,512	13,070
Loss (gain) on disposal of property, plant and equipment	366	381	635	23	(15)
Interest income	(41)	(100)	(195)	(42)	(1,728)
Interest expenses	17,769	17,748	15,382	8,434	—
Operating cash flow before movements in working capital	29,105	24,502	14,042	7,635	1,295
(Increase) decrease in inventories	(111)	81	(146)	(4)	216
(Increase) decrease in trade and other receivables	(185)	(1,131)	2,022	(367)	(1,286)
Increase (decrease) in trade and other payables	2,436	247	2,613	(678)	1,557
(Increase) decrease in amount due from a fellow subsidiary	(265)	(93)	369	366	—
Decrease in amounts due to fellow subsidiaries	(104)	(3,770)	(834)	(55)	—
NET CASH FROM OPERATING ACTIVITIES	30,876	19,836	18,066	6,897	1,782
INVESTING ACTIVITIES					
Additions to property, plant and equipment	(17,412)	(8,619)	(25,894)	(2,051)	(84,509)
Placement of pledged bank deposits	(1,815)	—	—	—	—
Purchases of structured deposits	—	—	—	—	(274,560)
Redemption of structured deposit	—	—	—	—	187,200
Proceeds from disposal of property, plant and equipment	80	73	191	5	40
Interest received	41	100	195	42	1,728
Withdrawal of pledged bank deposits	—	202	1,679	171	—
NET CASH USED IN INVESTING ACTIVITIES	(19,106)	(8,244)	(23,829)	(1,833)	(170,101)

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
FINANCING ACTIVITIES					
Repayment to immediate holding company	(12,285)	(1,140)	(37,675)	—	—
Interest paid	(4,057)	(9,440)	(15,387)	(5,653)	—
New borrowing raised	3,615	—	—	—	—
Repayment of bank borrowing	—	(767)	(2,973)	(345)	—
Proceeds from capital injection	—	—	533,375	—	—
Repayment of loan to immediate holding company	—	—	(247,784)	—	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(12,727)	(11,347)	229,556	(5,998)	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(957)	245	223,793	(934)	(168,319)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	8,499	7,937	8,257	8,257	243,573
EFFECT OF EXCHANGE RATE CHANGES	395	75	11,523	99	(6,469)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, representing by bank balances and cash	7,937	8,257	243,573	7,422	68,785

Notes to the Financial Information of the PRC Company

1. GENERAL

The PRC Company is a company established in the PRC. During the years ended 31st December, 2011 and 31st December, 2012, its immediate holding company was DS Eastin Limited ("**DS Eastin**"), a company incorporated in Hong Kong and its ultimate holding company was Rosedale Hotel Holdings Limited ("**Rosedale Hotel**"), a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office of the PRC Company is No. 8 Jiang Tai Road West, Chao Yang District, Beijing, the PRC.

During the year ended 31st December, 2013, the PRC Company increased its registered capital from US$17,200,000 to US$86,000,000, the increase of which US$68,800,000 was injected by the new investor, Beijing Baijun Investment Limited (北京百駿投資有限公司) ("**Beijing Baijun**"), a subsidiary of China Private Ventures Ltd. ("**CPVL**") (the "**Injection**").

Following the completion of the Injection on 29th November, 2013, DS Eastin and Rosedale Hotel ceased to be the PRC Company's immediate and ultimate holding company respectively. Beijing Baijun and CPVL, companies incorporated in the PRC and the British Virgin Islands with limited liability, respectively, have become the PRC Company's immediate and ultimate holding company respectively.

The PRC Company is principally engaged in hotel ownership and operation in Beijing, the PRC.

The functional currency of the PRC Company is Renminbi ("**RMB**"). The Financial Information of the PRC Company is presented in Hong Kong dollar ("**HK$**") for the purpose of management review for the Makerston Transaction.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the financial statements for the Relevant Period, the PRC Company has consistently adopted Hong Kong Accounting Standards ("**HKAS**"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on 1st January, 2014.

The PRC Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1st July, 2014
2 Effective for annual periods beginning on or after 1st January, 2018
3 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions
4 Effective for annual periods beginning on or after 1st January, 2016
5 Effective for annual periods beginning on or after 1st January, 2017

The directors of the PRC Company anticipate that the application of the new and revised HKFRSs will have no material impact on the Financial Information of the PRC Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information of the PRC Company has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA.

The Financial Information of the PRC Company has been prepared on the historical cost basis except for structured deposits that are measured at FVTPL (as defined below). Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the PRC Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from hotels accommodation, food and banquet operations are recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the PRC Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land and freehold land held for use in the production or supply of services or for administrative purposes other than hotel properties under construction and construction in progress are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the PRC Company's accounting policy.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leasehold land and building

When a lease includes both land and building elements, the PRC Company assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the PRC Company, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

Inventories comprising food, beverage and general stores are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the PRC Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The PRC Company's financial assets are classified into one of the two categories, including FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the PRC Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 16.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a fellow subsidiary, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the loans and receivables have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the PRC Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the PRC Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the PRC Company after deducting all of its liabilities. Equity instruments issued by the PRC Company are recognised at the proceeds received, net of direct issue cost.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to immediate holding company, amounts due to fellow subsidiaries, bank borrowing and loan from immediate holding company are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The PRC Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the PRC Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the PRC Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the PRC Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the PRC Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The PRC Company derecognises financial liabilities when, and only when, the PRC Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of the reporting period, the PRC Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the PRC Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The PRC Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realised, based on tax rate and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the PRC Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of the PRC Company, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the PRC Company's accounting policies, which are described in note 3, the directors of the PRC Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Estimated impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value of the property, plant and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. The carrying amount of property, plant and equipment is HK$686,979,000, HK$669,705,000, HK$680,001,000 and HK$736,870,000 as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 respectively. No impairment loss was recognised during the Relevant Period. See note 12 for details.

Depreciation of hotel property

The PRC Company's carrying amount of hotel property as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 is HK$658,256,000, HK$641,094,000, HK$651,782,000 and HK$712,045,000 respectively. The PRC Company depreciates the hotel property on a straight-line basis over the shorter of the remaining unexpired terms of the leases and 2.5% per annum. The useful life reflects the estimate by the directors of the PRC Company of the period that the PRC Company intends to derive economic benefits from the use of the hotel property. During the Relevant Period, the useful life of the hotel property has been reviewed and this estimate is considered to be appropriate.

5. CAPITAL RISK MANAGEMENT

The PRC Company manages its capital to ensure that it will be able to continue as a going concern while maximises the return to shareholders through the optimisation of the debt and equity balance. The PRC Company's overall strategy remains unchanged throughout the reporting period.

The capital structure of the PRC Company consists of net debts, which include amount due to immediate holding company, amounts due to fellow subsidiaries, loan from immediate holding company and bank borrowing disclosed in notes 15 and 19, net of cash and cash equivalents and equity attributable to shareholders of the PRC Company, comprising issued share capital and accumulated losses.

The directors of the PRC Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. The PRC Company will balance its overall capital structure through the issue of new debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Structured deposit	—	—	—	87,360
Loans and receivables (including cash and cash equivalents)	15,034	17,349	247,467	74,245
	15,034	17,349	247,467	161,605
Financial liabilities				
Amortised cost	289,448	293,678	4,119	7,014

(b) Financial risk management objectives and policies

The PRC Company's major financial instruments include trade and other receivables, amount due from a fellow subsidiary, structured deposit, pledged bank deposits, bank balances and cash, trade and other payables, amount due to immediate holding company, amounts due to fellow subsidiaries, loan from immediate holding company and bank borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The PRC Company operates in the PRC with most of the transactions denominated and settled in RMB, the functional currency of the PRC Company.

The PRC Company is mainly exposed to the United States Dollar ("**US$**") and HK$, arising from bank balances and cash, amounts due from (to) fellow subsidiaries and loan from immediate holding company.

The carrying amounts of the PRC Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Liabilities				Assets			
	As at 31st December,			As at 30th June,	As at 31st December,			As at 30th June,
	2011	2012	2013	2014	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
US$	(247,784)	(247,784)	—	—	14	65	5	5
HK$	(4,593)	(831)	—	—	272	367	—	—

The following table details the PRC Company's sensitivity to a 5% increase or decrease in the functional currency of the PRC Company against the above foreign currencies. 5% of the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. A negative number below indicates an increase in losses where the above foreign currencies strengthen 5% against the functional currency of the PRC Company. For a 5% weakening of the above foreign currencies of the PRC Company, there would be an equal and opposite impact on the losses of the respective years/periods.

	Year ended 31st December,			Six months ended 30th June,
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year/period	(9,453)	(9,307)	—	—

(ii) Interest rate risk

The PRC Company is exposed to cash flow interest rate risk in relation to bank balances, pledged bank deposits and loan from immediate holding company (see notes 15 and 17 for details of these balances). It is the PRC Company's policy to keep its bank balances, pledged bank deposits and loan from immediate holding company at floating rate of interests so as to minimise the fair value interest rate risk.

The PRC Company is also exposed to fair value interest rate risk in relation to bank borrowing at the People's Bank of China ("**PBOC**") benchmark lending rate as set out in note 19.

The PRC Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of the note. The PRC Company's cash flow interest rate risk is mainly related to the fluctuation of prevailing market interest rate.

No sensitivity analysis is presented since the directors of the PRC Company consider that the cash flow interest rate risk only exposes the PRC Company to interest rate risk at a limited level.

The PRC Company currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the PRC Company's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

Credit risk

As at the respective reporting dates, the PRC Company's maximum exposure to credit risk which will cause a financial loss to the PRC Company due to failure to discharge an obligation by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

As at 31st December, 2011, 2012 and 2013, the PRC Company credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the PRC Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the PRC Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the PRC Company considers that the PRC Company's credit risk is significantly reduced.

As at 30th June, 2014, the PRC Company credit risk is primarily attributable to structured deposit. In managing the credit risk, the management has established internal procedures to monitor the structured deposit to be placed and entered into with financial institutions of good reputation. These internal procedures serve to minimise the PRC Company's credit risk exposure.

The credit risk for bank balances is considered to be minimal as such amounts are placed with bank with high credit rating.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The PRC Company aims at maintaining the flexibility in funding by arranging external financing.

The following table details the PRC Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the PRC Company can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity table

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 31st December, 2011
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31st December, 2011						
Trade and other payables	—	4,255	—	—	4,255	4,255
Amount due to immediate holding company	—	29,112	—	—	29,112	29,112
Amounts due to fellow subsidiaries	—	4,593	—	—	4,593	4,593
Bank borrowing	8.00	756	800	2,660	4,216	3,704
Loan from immediate holding company	6.83	249,194	—	—	249,194	247,784
		287,910	800	2,660	291,370	289,448

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 31st December, 2012
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31st December, 2012						
Trade and other payables	—	4,546	—	—	4,546	4,546
Amount due to immediate holding company	—	37,554	—	—	37,554	37,554
Amounts due to fellow subsidiaries	—	831	—	—	831	831
Bank borrowing	8.00	755	800	1,728	3,283	2,963
Loan from immediate holding company	6.80	249,188	—	—	249,188	247,784
		292,874	800	1,728	295,402	293,678

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 31st December, 2013
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31st December, 2013						
Trade payables	—	4,119	—	—	4,119	4,119

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 30th June, 2014
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30th June, 2014						
Trade payables	—	7,014	—	—	7,014	7,014

(c) Fair value measurement

The directors of the PRC Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided by the PRC Company to outside customers, net of discounts and sales related taxes. It is analysed as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hotel accommodation	49,260	55,011	48,723	22,804	23,033
Food and beverage	34,560	40,005	36,867	16,965	17,808
Others	1,670	1,109	989	431	457
	85,490	96,125	86,579	40,200	41,298

The directors of the PRC Company, being the chief operating decision makers, assess the performance and allocate the resources of the PRC Company as a whole because the PRC Company is solely engaged in hotel operation.

Geographical information

The operation and assets of the PRC Company are located in the PRC.

Information about major customers

For each of the three years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014, no single customer contributed more than 10% of the total revenue of the PRC Company.

8. FINANCE COSTS

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on bank borrowing	155	289	210	115	—
Interest on loan from immediate holding company	17,614	17,459	15,172	8,319	—
	17,769	17,748	15,382	8,434	—

9. INCOME TAX CREDIT

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax expense	1,804	195	—	—	—
Overprovision in prior years	—	—	(1,999)	—	—
Deferred tax *(note 20)*					
— Current year	(5,524)	(5,585)	(5,050)	(2,698)	(2,422)
	(3,720)	(5,390)	(7,049)	(2,698)	(2,422)

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC Company is 25% from 1st January, 2008 onwards.

Taxation for the year/period can be reconciled to the loss before taxation for the year/period per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss before taxation	(17,770)	(23,903)	(29,162)	(11,292)	(10,032)
Tax at applicable rate of 25%	(4,443)	(5,976)	(7,291)	(2,823)	(2,508)
Tax effect of expenses not deductible for tax purpose	1,183	586	265	125	10
Tax effect of income not taxable for tax purpose	(212)	—	(42)	—	—
Over-provision in respect of prior years	—	—	(1,999)	—	—
Tax effect of tax loss not recognised	—	—	2,018	—	76
Utilisation of tax loss previously not recognised	(248)	—	—	—	—
Income tax credit for the year/period	(3,720)	(5,390)	(7,049)	(2,698)	(2,422)

10. LOSS FOR THE YEAR/PERIOD

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss for the year/period has been arrived at after charging:					
Directors' remuneration	—	—	—	—	—
Staff salaries and allowances	21,196	23,761	25,773	11,337	12,421
Retirement benefits scheme contribution	2,277	2,531	2,832	1,372	1,415
Total employee benefits expenses	23,473	26,292	28,605	12,709	13,836
Auditor's remuneration	142	142	389	92	312
Depreciation of property, plant and equipment	28,781	30,376	27,382	10,512	13,070
Loss on disposal of property, plant and equipment	366	381	635	23	—
and after crediting:					
Interest income	41	100	195	42	1,728
Net exchange gains	14,203	2,639	5,724	4,558	—
Gain on disposal of property, plant and equipment	—	—	—	—	15

11. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

12. PROPERTY, PLANT AND EQUIPMENT

	Hotel property *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Office equipment and machinery *HK$'000*	Total *HK$'000*
COST						
At 1st January, 2011	798,294	18,616	20,688	3,770	71,747	913,115
Additions	—	15,840	1,214	—	358	17,412
Disposals	—	—	(3,783)	—	(676)	(4,459)
Exchange realignment	40,241	919	1,022	186	3,543	45,911
At 31st December, 2011	838,535	35,375	19,141	3,956	74,972	971,979
Additions	—	7,497	472	—	650	8,619
Disposals	—	—	(1,136)	—	(3,398)	(4,534)
Exchange realignment	6,227	318	137	30	537	7,249
At 31st December, 2012	844,762	43,190	18,614	3,986	72,761	983,313
Additions	19,380	5,594	420	—	500	25,894
Disposals	—	—	(407)	—	(7,856)	(8,263)
Exchange realignment	16,327	922	353	75	1,235	18,912
At 31st December, 2013	880,469	49,706	18,980	4,061	66,640	1,019,856
Additions	84,140	—	197	—	172	84,509
Disposals	—	—	(166)	—	(84)	(250)
Exchange realignment	(18,055)	(930)	(356)	(76)	(1,248)	(20,665)
At 30th June, 2014	946,554	48,776	18,655	3,985	65,480	1,083,450
ACCUMULATED DEPRECIATION						
At 1st January, 2011	148,068	10,286	16,949	2,661	68,037	246,001
Provided for the year	22,870	4,428	781	350	352	28,781
Disposals	—	—	(3,405)	—	(608)	(4,013)
Exchange realignment	9,341	526	855	141	3,368	14,231
At 31st December, 2011	180,279	15,240	15,180	3,152	71,149	285,000
Provided for the year	21,888	7,088	759	253	388	30,376
Disposals	—	—	(1,022)	—	(3,058)	(4,080)
Exchange realignment	1,501	166	111	25	509	2,312
At 31st December, 2012	203,668	22,494	15,028	3,430	68,988	313,608
Provided for the year	20,778	5,487	600	122	395	27,382
Disposals	—	—	(366)	—	(7,071)	(7,437)
Exchange realignment	4,241	529	288	67	1,177	6,302
At 31st December, 2013	228,687	28,510	15,550	3,619	63,489	339,855
Provided for the period	9,964	2,566	286	36	218	13,070
Disposals	—	—	(150)	—	(75)	(225)
Exchange realignment	(4,142)	(539)	(272)	(63)	(1,104)	(6,120)
At 30th June, 2014	234,509	30,537	15,414	3,592	62,528	346,580
CARRYING VALUES						
At 30th June, 2014	712,045	18,239	3,241	393	2,952	736,870
At 31st December, 2013	651,782	21,196	3,430	442	3,151	680,001
At 31st December, 2012	641,094	20,696	3,586	556	3,773	669,705
At 31st December, 2011	658,256	20,135	3,961	804	3,823	686,979

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum, after taking into account of their estimate residual value.

Hotel property (comprising land and building)	Over the shorter of the remaining lease terms and 2.5%
Leasehold improvements	10%–20% or the term of the lease, if shorter
Furniture and fixtures	10%–20%
Motor vehicles	8.33%–20%
Office equipment and machinery	20%

The hotel property is situated in Beijing, the PRC under a medium term lease.

The directors of the PRC Company have reviewed the recoverable amounts of the hotel property with reference to its fair values at the end of each of the years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014, which have been arrived at on the basis of a valuation carried out on these dates by Asset Appraisal Limited, an independent qualified professional valuer not connected with the PRC Company and a member of the Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar properties in relevant location. The valuations were arrived at using the comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property. No impairment loss was recognised in relation to the hotel property as its fair values determined in this manner were higher than their carrying amounts at the respective dates.

13. INVENTORIES

The inventories were carried at cost and represent principally food, beverages and general stores which are to be utilised in the ordinary course of operations.

14. TRADE AND OTHER RECEIVABLES

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	4,957	7,050	3,894	5,287
Deposits and prepayments	1,788	905	2,220	1,778
Other receivables	8	2	—	173
	6,753	7,957	6,114	7,238

The PRC Company allows credit period up to 60 days to certain customers. The following is an analysis of trade receivables by age, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition date.

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	2,692	2,911	1,372	3,308
31–60 days	1,747	1,935	1,208	1,173
61–90 days	280	1,328	642	596
Over 90 days	238	876	672	210
	4,957	7,050	3,894	5,287

Before accepting any new customer, the PRC Company has assessed the potential customer's credit quality and defined credit limits by customer. The PRC Company seeks to maintain strict control over its trade receivables to minimise credit risk and limits granted to customers are reviewed regularly.

Included in the trade receivables balance are debtors with aggregate carrying amount of HK$518,000, HK$2,204,000, HK$1,314,000 and HK$806,000 which are past due at 31st December, 2011, 2012 and 2013 and 30th June, 2014 for which the PRC Company has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The PRC Company does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
61–90 days	280	1,328	642	596
Over 90 days	238	876	672	210
	518	2,204	1,314	806

15. AMOUNT DUE FROM (TO) FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY AND LOAN FROM IMMEDIATE HOLDING COMPANY

At 31st December, 2011 and 2012, the loan from immediate holding company was unsecured, repayable on demand and carried interest at the 5-year Bank of China's US$ Lending rate (the "**US$ Lending Rate**") and 1% over the US$ Lending Rate respectively and the weighted average interest rates were 6.83% and 6.80% per annum respectively.

The remaining amounts due from (to) fellow subsidiaries and due to immediate holding company are unsecured, interest-free and repayable on demand.

16. STRUCTURED DEPOSIT

On 4th March, 2014 and 10th June, 2014, the PRC Company placed an amount of structured deposit of RMB150,000,000 and RMB70,000,000 respectively (equivalent to HK$187,688,000 and HK$87,360,000 respectively) with expected interest rate of 2.8% per annum (calculated on a daily basis and paid on a bi-monthly basis) arranged by a bank established in the PRC. The structured deposit is undeemable by the PRC Company at any time after the deposit has been placed. The structured deposit is designated as financial asset at FVTPL as its interest rates vary depending on the returns of various bonds and funds in the PRC and those features constitute non-closely related embedded derivatives. The amount is measured at fair value at the end of reporting period which approximated the principal amount. During the six months ended 30th June, 2014, RMB150,000,000 (equivalent to HK$187,200,000) was redeemed. The remaining amount of principal was fully redeemed by the PRC Company subsequent to 30th June, 2014.

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances carry interest at market rates of 1.76%, 1.21%, 0.08% and 0.41% per annum as at 31st December, 2011, 2012 and 2013 and 30th June, 2014, respectively.

Pledged bank deposits for an amount of HK$1,860,000 and HK$1,673,000 as at 31st December, 2011 and 2012 carried interest at market rates ranging from 0.01% to 3.08% and were pledged for a non-current borrowing of the PRC Company, and accordingly, the amount was classified as non-current.

18. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$4,247,000, HK$4,541,000, HK$4,119,000 and HK$7,014,000 and the aging analysis of the trade payables presented based on the invoice date at 31st December, 2011, 2012 and 2013 and 30th June, 2014 are as follows:

	As at 31st December,			**As at 30th June,**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	1,474	1,421	1,393	2,491
31–60 days	1,457	1,279	1,290	1,435
61–90 days	999	1,161	1,135	1,473
Over 90 days	317	680	301	1,615
	4,247	4,541	4,119	7,014

The credit period on purchases of goods ranged from 30 to 60 days. The PRC Company has financial risk management policies in place to ensure that all payables are settled within the credit time frame. Included in other payables at 31st December, 2011, 2012 and 2013 and 30th June, 2014 are deposits received for hotel room reservations of HK$2,674,000, HK$2,533,000, HK$2,117,000 and HK$2,675,000 respectively and accrued staff salaries and allowances of HK$5,395,000, HK$5,830,000, HK$6,791,000 and HK$4,617,000 respectively.

19. BANK BORROWING

	Effective interest rate				**Carrying amount**			
	As at 31st December,			**As at 30th June,**	**As at 31st December,**			**As at 30th June,**
	2011	**2012**	**2013**	**2014**	**2011**	**2012**	**2013**	**2014**
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowing								
Secured RMB loan	8.00%	8.00%	—	—	3,704	2,963	—	—

	As at 31st December,			**As at 30th June,**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount repayable*:				
Within one year	741	741	—	—
More than one year but not exceeding two years	741	741	—	—
More than two years but not exceeding five years	2,222	1,481	—	—
	3,704	2,963	—	—
Less: Amount due within one year shown under current liabilities	(741)	(741)	—	—
Amounts shown under non-current liabilities	2,963	2,222	—	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The PRC Company's borrowing as at 31st December, 2011 and 2012 were denominated in RMB which bore interest at 8% per annum, representing PBOC times 120%.

At the end of the reporting period, the PRC Company has the following undrawn borrowing facilities:

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fixed rate				
— expiring beyond one year	58,765	58,025	—	—

Hotel property included in the property, plant and equipment of HK$658,256,000 and HK$641,094,000 and bank deposits of HK$1,860,000 and HK$1,673,000 were pledged as securities for these bank borrowing as at 31st December, 2011 and 2012 respectively.

Corporate guarantees were issued by Rosedale Hotel to the bank for the bank borrowings of the PRC Company during the Relevant Period.

20. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movement thereon during the current and prior years.

	Fair value adjustment on hotel property
	HK$'000
At 1st January, 2011	111,980
Credit to profit or loss	(5,524)
Exchange realignment	5,392
At 31st December, 2011	111,848
Credit to profit or loss	(5,585)
Exchange realignment	1,218
At 31st December, 2012	107,481
Credit to profit or loss	(5,050)
Exchange realignment	2,739
At 31st December, 2013	105,170
Credit to profit or loss	(2,422)
Exchange realignment	(2,629)
At 30th June, 2014	100,119

21. REGISTERED CAPITAL

	US$'000	HK$'000
At 1st January, 2011, 31st December, 2011 and 2012	17,200	91,031
Capital injection	68,800	533,375
At 31st December, 2013 and 30th June, 2014	86,000	624,406

On 29th November, 2013, the PRC Company increased its registered capital from US$17,200,000 to US$86,000,000. The increased registered capital of US$68,800,000 was injected by Beijing Baijun.

22. SHARE OPTION SCHEME

The share option scheme of Rosedale Hotel (the "**Rosedale Hotel 2002 Scheme**") adopted on 3rd May, 2002 (as amended on 27th May, 2005) expired on 3rd May, 2012. No share options were granted under the Rosedale Hotel 2002 Scheme during the year ended 31st December, 2011 and 31st December, 2012, nor share options outstanding under the Rosedale Hotel 2002 Scheme at 31st December, 2011 and 2012.

Following the expiry of the Rosedale Hotel 2002 Scheme, a new share option scheme of Rosedale Hotel (the "**Rosedale Hotel 2013 Scheme**") was adopted on 30th May, 2013 and became effective on 3rd June, 2013. The purpose of the Rosedale Hotel 2013 Scheme is to enable Rosedale Hotel to grant options to subscribe for shares of Rosedale Hotel (the "**Options**") to any eligible employee (including executive directors), any non-executive director, any supplier of goods or services and any customer of Rosedale Hotel or any entity in which Rosedale Hotel holds an equity interest (the "**Invested Entity**"), any consultant, any adviser manager, officer and entity that provide research development or other technological support to Rosedale Hotel and the Invested Entity any shareholder or any member of Rosedale Hotel who has contributed to the business of Rosedale Hotel or any Invested Entity or any holder of any securities issued by any member of Rosedale Hotel or any Invested Entity, as incentives or rewards for their contributions or potential contribution to Rosedale Hotel.

The total number of shares in respect of which Options may be granted under the Rosedale Hotel 2013 Scheme, when aggregated with any shares subject to any other schemes, is not permitted to exceed 10% of the shares of Rosedale Hotel in issue on the date of adoption of the Rosedale Hotel 2013 Scheme (the "**General Limit**") unless Rosedale Hotel obtains an approval from its shareholders to refresh the General Limit such that the number of shares of Rosedale Hotel in respect of which Options may be granted under the Rosedale Hotel 2013 Scheme and any other share option schemes of Rosedale Hotel shall not exceed 10% of the shares of Rosedale Hotel in issue as at the date of approval. Nevertheless, the maximum number of shares of Rosedale Hotel which may be issued upon exercise of all outstanding Options granted and not yet exercised under the Rosedale Hotel 2013 Scheme and any other share option schemes of Rosedale Hotel shall not exceed 30% of the issued shares of Rosedale Hotel from time to time. The Rosedale Hotel 2013 Scheme shall be valid and effective for a period of 10 years commencing on 3rd June, 2013 subject to earlier termination by Rosedale Hotel in general meeting or by its board of directors.

The acceptance of an Option granted under the Rosedale Hotel 2013 Scheme must be taken up within 21 days from the date of grant and to be accompanied by payment of the consideration of HK$1. The Options may be exercised in accordance with the terms of the Rosedale Hotel 2013 Scheme at any time during a period as the board of directors of Rosedale Hotel may in its absolute discretion determine which shall not be more than 10 years from the Offer Date and subject to the provisions of early termination thereof and the board of directors of Rosedale Hotel may provide restrictions on the exercise of an Option.

No Options under the Rosedale Hotel 2013 Scheme were granted, exercised, cancelled or lapsed during the year ended 31st December, 2013 and the six months ended 30th June, 2014, nor outstanding under the Rosedale Hotel 2013 Scheme at 31st December, 2013 and 30th June, 2014.

23. PLEDGE OF ASSETS/CONTINGENT LIABILITIES

Save as otherwise disclosed elsewhere in this report, the PRC Company's credit facilities were secured by the PRC Company's assets as follows:

	As at 31st December,			As at 30th June,
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hotel property	658,256	641,094	—	—
Pledged bank deposits	1,860	1,673	—	—
	660,116	642,767	—	—

As at 31st December, 2011 and 2012, the PRC Company has also pledged the following assets in addition to the above-mentioned:

(a) A floating charge over all the revenue and a fixed charge over all assets of the PRC Company.

The charge under item (a) above and the pledge of hotel property were released on 18th December, 2013.

As at 31st December, 2011, 2012 and 2013, the PRC Company has created a fixed charge over 100%, 100% and 20% of its registered capital respectively for bank borrowing granted to DS Eastin, its shareholder (or immediate holding company before the Injection). The charge was released on 3rd January, 2014.

24. CAPITAL COMMITMENTS

	As at 31st December,			As at 30th June,
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for but not provided in financial statements in respect of purchase of property, plant and equipment	2,151	161	—	—

25. RELATED PARTY DISCLOSURES

(a) Details of balances with related parties at the end of the Relevant Period and significant transactions entered into during the Relevant Period are as follows:

(i) Balances

Details of the PRC Company's outstanding balance with related companies are set out in the statement of financial position and note 15.

(ii) Transactions

Name of company	Relationship	Nature of transaction	Year ended 31st December, 2011	2012	2013	Six months ended 30th June, 2013	2014
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rosedale Hotel Management International Limited	Related company *(note i)*	Consultancy fee expense	3,600	3,600	3,300	1,800	—
		Design fee expense	1,200	1,200	1,200	600	600
Rosedale Hotel Group Limited ("**RHGL HK**") *(note ii)*	Related company *(note i)*	Licence fee expense	2,260	2,542	2,117	1,069	—
DS Eastin	Shareholder *(note iii)*	Interest expenses	17,614	17,459	15,386	8,320	—

Notes:

(i) Fellow subsidiaries of the PRC Company before the Injection and subsidiaries of the ultimate holding company of DS Eastin after the Injection.

(ii) RHGL HK, which has the same name as RHGL, is incorporated in Hong Kong.

(iii) The immediate holding company of the PRC Company before the Injection of the PRC Company.

As at 31st December, 2011 and 2012 and 31st December, 2013, the PRC Company has pledged certain of its registered capital for bank borrowings granted to DS Eastin. Please refer to note 23 for details.

(b) Guarantees in support of the PRC Company's bank borrowings

Corporate guarantee was issued by Rosedale Hotel to the bank for the bank borrowings of the PRC Company during the Relevant Period.

(c) Compensation of key management personnel

The directors of the PRC Company are considered to be key management personnel of the PRC Company. There was no compensation paid to the directors of the PRC Company for the Relevant Period.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the PRC Company subsequent to 30th June, 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE PRC COMPANY

Set out below is the management discussion and analysis of the PRC Company for the three years ended 31st December, 2011, 2012 and 2013 respectively and the six months ended 30th June, 2014 (the "**Relevant Periods**").

Business review

The principal asset and business of the PRC Company was the Beijing Hotel, which was operated as a "Rosedale" branded 4-star rated hotel with 462 guestrooms, restaurants and a shopping arcade.

Financial results

The revenue for each of the years ended 31st December, 2011, 2012 and 2013 was HK$85.5 million, HK$96.1 million and HK$86.6 million respectively. The growth in revenue achieved in 2012 was mainly due to the improvement in both room and restaurant businesses resulting from the rises in price and number of guests coupling with the appreciation of Renminbi against Hong Kong dollars. There was some slowdown in both room and restaurant businesses in 2013 due to severe competition. The revenue for the six months ended 30th June, 2014 was HK$41.3 million which was similar to the corresponding amount of the same period last year.

As consistent with the trend of the revenue, the loss for each of the years ended 31st December, 2011, 2012 and 2013 was HK$14.1 million, HK$18.5 million and HK$22.1 million respectively while that for the six months ended 30th June, 2014 was HK$7.6 million.

Liquidity and capital resources

Financial position

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the PRC Company had property, plant and equipment, mainly comprising of the Beijing Hotel, of HK$687.0 million, HK$669.7 million, HK$680.0 million and HK$736.9 million respectively. The increase during the six months ended 30th June, 2014 mainly represented additional land premium paid in respect of the extension of the Beijing Hotel to increase the gross floor area. The Beijing Hotel was stated at cost less depreciation instead of valuation.

The PRC Company mainly financed its operations by loan from immediate holding company and bank borrowing. The loan from immediate holding company was unsecured and interest bearing at a floating rate which balances at 31st December, 2011 and 2012 stayed at HK$247.8 million (repayable within one year). The bank borrowing was secured by the Beijing Hotel and bearing interest at a floating rate which balances at 31st December, 2011 and 2012 were HK$3.7 million and HK$3.0 million respectively of which HK$0.7 million and HK$0.7 million were repayable within one year while the remaining balances were repayable after one year. In November 2013, the PRC Investor contributed additional capital of US$68.8 million (equivalent to HK$533.2 million) which was partially utilised to settle the loans from immediate holding company and the bank borrowing in full while remaining balances were retained by the PRC Company for its future capital development. There were net current liabilities of HK$282.9 million and HK$286.6 million at 31st December, 2011 and 2012. As a result of the above-mentioned increase in capital, its financial position was improved and there were net current assets of HK$232.5 million and HK$144.7 million at 31st December, 2013 and 30th June, 2014 respectively.

Gearing ratio

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the gearing ratio of the PRC Company, calculated as a percentage of the PRC Company's total liabilities excluding deferred tax liabilities to its total assets, were 43.0%, 44.6%, 2.1% and 2.3% respectively.

Securities and guarantee

Apart from the pledge of the Beijing Hotel and certain bank balances in aggregate of HK$660.1 million and HK$642.8 million respectively as securities for the bank borrowing granted to itself and its immediate holding company as at 31st December, 2011 and 2012, the PRC Company had not made any pledge of or created any security over assets and had not provided any corporate guarantee as at 31st December, 2011, 2012 and 2013 and 30th June, 2014.

Contingent liabilities

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the PRC Company did not have any significant contingent liability.

Exchange rate risk

The majority of the PRC Company's assets and liabilities, including the Beijing Hotel and the bank borrowing were denominated in Renminbi. During the Relevant Periods, the PRC Company has not entered into any hedging arrangements.

Credit risk

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the PRC Company did not have any significant concentration of credit risk.

Material acquisition and disposal

There was no material acquisition and/or disposal by the PRC Company during the Relevant Periods.

Future plan for capital assets

The PRC Company had obtained a consent from the Beijing Municipal Commission of Urban Planning on 24th January, 2013 for the extension of the Beijing Hotel to increase its gross floor area by approximately 25,000 m^2, which shall be funded by the internal resources of the PRC Company.

Staff and remuneration policy

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the PRC Company had 370, 377, 340 and 349 employees. Competitive remuneration packages were structured to commensurate with the responsibilities, qualifications, experience and performance of individual employee. The PRC Company also provided training programs, provident fund scheme and medical insurance for its employees.

1. ACCOUNTANTS' REPORT ON THE EAGLE SPIRIT GROUP

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

10th November, 2014

The Directors
ITC Properties Group Limited

Dear Sirs,

We set out below our report on the financial information relating to Eagle Spirit Holdings Limited ("**Eagle Spirit**") and its subsidiaries (hereinafter collectively referred to as the "**Eagle Spirit Group**") for each of the three years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014 (the "**Relevant Period**") (the "**Financial Information of the Eagle Spirit Group**") for inclusion in the circular of ITC Properties Group Limited ("**ITCP**") dated 10th November, 2014 in connection with, amongst others, the proposed acquisition of the entire issued share capital of Eagle Spirit and the shareholder's loan due by Eagle Spirit (the "**Eagle Spirit Transaction**") (the "**Circular**").

Eagle Spirit is incorporated with limited liability in the British Virgin Islands (the "**BVI**"). At the date of this report, Eagle Spirit has interests in the following subsidiaries/joint venture:

Name of subsidiary/ joint venture	Place of incorporation	Issued and fully paid share capital	Attributable equity interest held by Eagle Spirit: As at 31st December, 2011	2012	2013	As at 30th June, 2014	At the date of this report	Principal activity
Directly owned								
More Star Limited ("**More Star**")	BVI	United States Dollar ("**US$**") 10	100%	100%	100%	40% *(note i)*	40% *(note i)*	Investment holding
Rosy Universe Limited ("**Rosy**") *(note ii)*	BVI	US$1	100%	100%	100%	100%	100%	Investment holding
Rosedale Hotel Kowloon Limited ("**Rosedale Kowloon**")	Hong Kong	Hong Kong Dollar ("**HK$**") 1	100%	100%	100%	100%	100%	Hotel operation of Rosedale Hotel Kowloon

Name of subsidiary/ joint venture	Place of incorporation	Issued and fully paid share capital	Attributable equity interest held by Eagle Spirit As at 31st December, 2011	2012	2013	As at 30th June, 2014	At the date of this report	Principal activity
Hongkong Macau (International) BVI Limited (“**HMIL**”) *(note ii)*	BVI	US$10	100%	100%	100%	100%	100%	Investment holding
Indirectly owned								
Fortress State International Limited (“**Fortress State**”) 灝申國際有限公司	Hong Kong	HK$1	100%	100%	100%	40% *(note i)*	40% *(note i)*	Hotel investment
Rosedale Group Management Limited (“**RGML**”) *(note ii)* 珀麗集團管理有限公司	Hong Kong	HK$2	100%	100%	100%	100%	100%	Provision of corporate management and secretarial services
Rosedale Hotel Management International Limited (“**RHMIL**”) *(note ii)*	BVI	US$1	100%	100%	100%	100%	100%	Provision of hotel management services
Rosedale Restaurant and Catering Limited (“**RCL**”) *(note ii)* 珀麗餐飲有限公司	Hong Kong	HK$1,991,061,472	100%	100%	100%	100%	100%	Provision of food and beverage

Notes:

(i) During the six months ended 30th June, 2014, Eagle Spirit disposed of 60% of the equity interest in More Star to an independent third party. Upon the completion of the disposal, Eagle Spirit lost control over More Star and More Star has been accounted for as a joint venture since 14th March, 2014. Fortress State is a wholly-owned subsidiary of More Star. Details of this disposal transaction are set out in note 26.

(ii) The equity interests shown in the above table in respect of these subsidiaries represent equity interests attributable to Eagle Spirit as if the Eagle Spirit Group structure upon the completion of the Eagle Spirit Group Reorganisation (see note 2) had been in existence throughout the Relevant Period.

All companies comprising the Eagle Spirit Group has adopted 31st December as their financial year end date.

No audited financial statements have been prepared for Eagle Spirit and its subsidiaries incorporated in the BVI for each of the three years ended 31st December, 2011, 2012 and 2013 as there are no statutory requirements for audited financial statements in the BVI.

The statutory financial statements of the subsidiaries incorporated in Hong Kong for each of the three years ended 31st December, 2011, 2012 and 2013 were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and were audited by us.

For the purpose of this report, the directors of Eagle Spirit have prepared the consolidated financial statements of the Eagle Spirit Group for the Relevant Period in accordance with HKFRSs issued by the HKICPA (the "**Underlying Financial Statements**"). We have carried out an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountants" as recommended by the HKICPA.

The Financial Information of the Eagle Spirit Group for the Relevant Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section A below. No adjustments have been made by us to the Underlying Financial Statements for the preparation of the Financial Information of the Eagle Spirit Group.

The preparation of the Underlying Financial Statements is the responsibility of the directors of Eagle Spirit who approved their issue. The directors of ITC Properties Group Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information of the Eagle Spirit Group set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information of the Eagle Spirit Group and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section A below, the Financial Information of the Eagle Spirit Group gives, for the purpose of this report, a true and fair view of the state of affairs of the Eagle Spirit Group as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 and of the consolidated results and consolidated cash flows of the Eagle Spirit Group for the Relevant Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Eagle Spirit Group for the six months ended 30th June, 2013 together with the notes thereon have been extracted from the Eagle Spirit Group's unaudited consolidated financial information for the same period (the "**June 2013 Financial Information**") which was prepared by the directors of Eagle Spirit solely for the purpose of this report. We conducted our review of the June 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the June 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information of the Eagle Spirit Group which conform with HKFRSs.

A. FINANCIAL INFORMATION OF THE EAGLE SPIRIT GROUP

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31st December,			Six months ended 30th June,	
		2011	2012	2013	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	6	—	55,943	125,179	56,861	70,126
Cost of sales and services		—	(26,898)	(57,796)	(33,172)	(45,127)
Gross profit		—	29,045	67,383	23,689	24,999
Other income	7	34,154	31,219	30,185	13,307	18,886
Administrative expenses		(14,705)	(39,182)	(46,912)	(18,801)	(30,104)
Gain on disposal of assets classified as held for sale	26	—	—	—	—	459,286
Share of result of a joint venture	14	—	—	—	—	954
Finance costs	8	(569)	(6,501)	(17,303)	(8,483)	(3,432)
Profit before taxation		18,880	14,581	33,353	9,712	470,589
Income tax expense	9	(1,378)	(1,463)	(1,514)	(763)	(757)
Profit and total comprehensive income for the year/period	10	17,502	13,118	31,839	8,949	469,832

Consolidated Statements of Financial Position

		As at 31st December,			As at 30th June,
		2011	2012	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*12*	630,989	823,085	958	839
Club debentures	*13*	—	—	520	520
Rental deposit	*17*	—	—	—	16,000
Interest in a joint venture	*14*	—	—	—	193,725
Amount due from a joint venture	*14*	—	—	—	299,078
		630,989	823,085	1,478	510,162
Current assets					
Inventories	*16*	—	414	577	550
Trade and other receivables	*17*	900	4,956	7,832	10,844
Amounts due from fellow subsidiaries	*18*	6,076	1,891	2,260	88
Pledged bank deposits	*15*	3,066	3,263	—	—
Bank balances and cash	*15*	1,434	20,306	139,092	11,502
		11,476	30,830	149,761	22,984
Assets classified as held for sale	*20*	—	—	837,306	—
		11,476	30,830	987,067	22,984

		As at 31st December,			As at 30th June,
		2011	**2012**	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Trade and other payables	*21*	28,745	47,772	16,493	19,262
Amount due to immediate holding company	*18*	—	—	—	36,619
Amounts due to fellow subsidiaries	*18*	178,681	335,986	269,112	30,880
Loan from a related company	*19*	14,000	—	—	—
Loan from a fellow subsidiary	*19*	—	6,000	6,000	—
Bank borrowing — due within one year	*22*	405,000	435,000	—	—
		626,426	824,758	291,605	86,761
Liabilities associated with assets classified as held for sale	*20*	—	—	635,944	—
		626,426	824,758	927,549	86,761
Net current (liabilities) assets		(614,950)	(793,928)	59,518	(63,777)
		16,039	29,157	60,996	446,385
Capital and reserves					
Share capital	*24*	—	—	—	—
Reserves		16,039	29,157	60,996	446,385
		16,039	29,157	60,996	446,385

Consolidated Statements of Changes in Equity

	Share capital	Accumulated (losses) profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2011	—	(1,463)	(1,463)
Profit and total comprehensive income for the year	—	17,502	17,502
At 31st December, 2011	—	16,039	16,039
Profit and total comprehensive income for the year	—	13,118	13,118
At 31st December, 2012	—	29,157	29,157
Profit and total comprehensive income for the year	—	31,839	31,839
At 31st December, 2013	—	60,996	60,996
Profit and total comprehensive income for the period	—	469,832	469,832
Dividend paid *(note)*	—	(84,443)	(84,443)
At 30th June, 2014	—	446,385	446,385
Unaudited			
At 1st January, 2013	—	29,157	29,157
Profit and total comprehensive income for the period	—	8,949	8,949
At 30th June, 2013	—	38,106	38,106

note: The dividend was declared by RHMIL to its then sole shareholder, Rosedale Hotel Group Limited ("**RHGL**"), before the completion of the Eagle Spirit Group Reorganisation as detailed in note 2. After the payment of dividend, RHMIL was transferred from RHGL to Rosy as part of the Eagle Spirit Group Reorganisation (see note 1).

Consolidated Statements of Cash Flows

		Year ended 31st December,			Six months ended 30th June,	
		2011	2012	2013	2013	2014
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
OPERATING ACTIVITIES						
Profit before taxation		18,880	14,581	33,353	9,712	470,589
Adjustments for:						
Interest income		(4)	(3)	(102)	(46)	(6,241)
Depreciation of property, plant and equipment		128	5,211	12,396	8,712	144
Finance costs		569	6,501	17,303	8,483	3,432
Share of result of a joint venture		—	—	—	—	(954)
Loss on disposal of property, plant and equipment		7	—	—	—	—
Gain on disposal of assets classified as held for sale		—	—	—	—	(459,286)
Operating cash flows before movements in working capital		19,580	26,290	62,950	26,861	7,684
(Increase) decrease in inventories		—	(414)	(163)	(144)	27
Decrease (increase) in trade and other receivables		202	(4,056)	(2,833)	197	(19,012)
(Increase) decrease in amounts due from fellow subsidiaries		(5,884)	2,722	(1,399)	(2,834)	1,415
Increase (decrease) in trade and other payables		3,299	(14,674)	2,792	(2,659)	5,484
NET CASH FROM (USED IN) OPERATING ACTIVITIES		17,197	9,868	61,347	21,421	(4,402)
INVESTING ACTIVITIES						
Additions to property, plant and equipment		(394,922)	(157,266)	(29,535)	(29,179)	(25)
Placement of pledged bank deposits		(3,054)	(197)	(1,737)	(1,737)	—
Interest received		4	3	102	46	173
Proceeds from disposal of subsidiaries	*26*	—	—	—	—	762,843
Withdrawal of pledged bank deposits		—	—	—	—	5,000
Repayment from a joint venture		—	—	—	—	12,240
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(397,972)	(157,460)	(31,170)	(30,870)	780,231

	Note	Year ended 31st December, 2011 HK$'000	2012 HK$'000	2013 HK$'000	Six months ended 30th June, 2013 HK$'000 (unaudited)	2014 HK$'000
FINANCING ACTIVITIES						
New borrowing raised		405,000	435,000	630,000	630,000	—
Advance from (repayment to) fellow subsidiaries		8,296	157,304	(66,874)	(49,701)	(237,704)
Loan advanced from (repayment to) a related company		14,000	(14,000)	—	—	—
Advance from an immediate holding company		—	—	—	—	45,519
Repayment of bank borrowing		(42,500)	(405,000)	(435,000)	(435,000)	(630,000)
Dividend paid to RHGL		—	—	—	—	(84,443)
Repayment to an immediate holding company		—	—	—	—	(8,900)
Interest paid		(3,043)	(12,840)	(17,403)	(8,301)	(4,005)
Loan advance from (repayment to) a fellow subsidiary		—	6,000	—	—	(6,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		381,753	166,464	110,723	136,998	(925,533)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		978	18,872	140,900	127,549	(149,704)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		456	1,434	20,306	20,306	161,206
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by						
Bank balances and cash		1,434	20,306	161,206	147,855	11,502
Bank balances included in assets classified as held for sale		—	—	(22,114)	—	—
		1,434	20,306	139,092	147,855	11,502

Notes to the Financial Information of the Eagle Spirit Group

1. GENERAL

Eagle Spirit was incorporated on 6th May, 2005 with limited liability in the BVI. Its ultimate holding company is Rosedale Hotel Holdings Limited ("**Rosedale Hotel**"), a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its immediate holding company is Easy Vision Holdings Limited ("**Easy Vision**"), a limited company incorporated in the BVI. The address of the registered office of Eagle Spirit is at Palm Grove House, P.O. Box 438, Road Town, Tortola, BVI.

Eagle Spirit acts as an investment holding company. During the Relevant Period, the Eagle Spirit Group is engaged in (i) the business of holding a hotel known as "Rosedale Hotel Kowloon", which is located at No. 86 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong (the "**Property**" up to 14th March, 2014); (ii) hotel corporate management and consultancy services; and (iii) restaurant and hotel operation.

During the Relevant Period, the Eagle Spirit Group was formed through a series of transactions for the group reorganisation (the "**Eagle Spirit Group Reorganisation**") which were undertaken by Eagle Spirit as follows:

(i) acquired the entire issued share capital of HMIL from Apex Quality Group Limited ("**Apex**"), a fellow subsidiary of the Eagle Spirit Group; and

(ii) acquired from a wholly-owned subsidiary of Apex the entire issued share capital of Rosy which holds 100% of the interest in RHMIL and RGML, which are engaged in the provision of hotel corporate management consultancy services to hotels in Hong Kong and the People's Republic of China (the "**PRC**").

Details of the Eagle Spirit Group Reorganisation are set out in note 2. In addition, on 14th March, 2014, the Eagle Spirit Group disposed of 60% equity interest in More Star, whose wholly-owned subsidiary holds Rosedale Hotel Kowloon, to an independent third party and retains the remaining 40% equity interest in More Star as interest in a joint venture, details of which are set out in notes 14, 20 and 26.

2. REORGANISATION AND BASIS OF PREPARATION

For the purpose of preparation of the Eagle Spirit Transaction, the Eagle Spirit Group Reorganisation, which commenced in November 2013, was completed during the period ended 30th June, 2014, pursuant to which Eagle Spirit, as holding company of Rosedale Kowloon and More Star before its disposal on 14th March, 2014 (see note 26), has also become the holding company of HMIL and its subsidiary, as well as Rosy and its subsidiaries. The companies comprising the Eagle Spirit Group immediately after the Eagle Spirit Group Reorganisation were under the common control of Rosedale Hotel prior to and after the Eagle Spirit Group Reorganisation and therefore they are regarded as a continuing entity.

The Financial Information of the Eagle Spirit Group has been prepared as if Eagle Spirit has been the holding company of the companies comprising the Eagle Spirit Group immediately after the Eagle Spirit Group Reorganisation throughout the Relevant Period.

The consolidated statements of profit or loss and other comprehensive income and the consolidated statements of cash flows which include the results and cash flows of the companies now comprising the Eagle Spirit Group has been prepared by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the current group structure had been in existence throughout the Relevant Period or since their respective dates of incorporation/establishment. The consolidated statements of financial position of the Eagle Spirit Group as at 31st December, 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the companies now comprising the Eagle Spirit Group as if the current group structure had been in existence as at those dates.

The Financial Information of the Eagle Spirit Group is presented in HK$, which is also the functional currency of Eagle Spirit.

In preparing the Financial Information of the Eagle Spirit Group, the directors of Eagle Spirit have given careful consideration to the future liquidity and going concern of the Eagle Spirit Group in light of the fact that the Eagle Spirit Group's current liabilities exceeded its current assets by HK$614,950,000, HK$793,928,000 and HK$63,777,000 as at 31st December, 2011 and 2012 and 30th June, 2014 respectively. The directors of Eagle Spirit are satisfied that the Eagle Spirit Group will have sufficient funds to meet in full its financial obligations as they fall due for the foreseeable future, after taking into consideration that Rosedale Hotel has agreed to provide adequate funds for the Eagle Spirit Group to meet in full its financial obligations up to the date of the completion of the Eagle Spirit Transaction. Moreover, upon completion of the Eagle Spirit Transaction, ITCP will provide financial support to the Eagle Spirit Group to meet in full its financial obligations as they fall due in the foreseeable future.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information of the Eagle Spirit Group for the Relevant Period, the Eagle Spirit Group has consistently adopted Hong Kong Accounting Standards ("**HKAS**"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on or after 1st January, 2014.

The Eagle Spirit Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1st July, 2014
2 Effective for annual periods beginning on or after 1st January, 2018
3 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions
4 Effective for annual periods beginning on or after 1st January, 2016
5 Effective for annual periods beginning on or after 1st January, 2017

The directors of Eagle Spirit anticipate that the application of the new and revised HKFRSs will have no material impact on the Financial Information of the Eagle Spirit Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information of the Eagle Spirit Group has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA.

The Financial Information of the Eagle Spirit Group has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Eagle Spirit Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information of the Eagle Spirit Group incorporates the financial information of Eagle Spirit and the entities controlled by Eagle Spirit and its subsidiaries. Control is achieved where Eagle Spirit:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Eagle Spirit Group obtains control over the subsidiary and ceases when the Eagle Spirit Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Eagle Spirit Group gains control until the date when the Eagle Spirit Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to owner of Eagle Spirit and to the non-controlling interests. Total comprehensive income of subsidiaries attributed to owner of Eagle Spirit and to the non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Eagle Spirit Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Eagle Spirit Group's ownership interest in existing subsidiaries

When the Eagle Spirit Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Eagle Spirit Group had directly disposed of the related assets and liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in a joint venture.

Merger accounting for business combination involving entities under common control

The Financial Information of the Eagle Spirit Group incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information of the Eagle Spirit Group are presented as if the entities or businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results of assets and liabilities of the joint venture are incorporated in these Financial Information of the Eagle Spirit Group using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Eagle Spirit Group's share of the profit or loss and other comprehensive income of the joint venture. When the Eagle Spirit Group's share of losses of a joint venture exceeds the Eagle Spirit Group's interest in that joint venture (which includes any long-term interest that, in substance, form part of the Eagle Spirit Group's net investment in the joint venture), the Eagle Spirit Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Eagle Spirit Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Eagle Spirit Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Eagle Spirit Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit and loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Eagle Spirit Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Eagle Spirit Group reduces their ownership interest in a joint venture but the Eagle Spirit Group continues to use the equity method, the Eagle Spirit Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the of the related assets or liabilities.

When the Eagle Spirit Group transacts with a joint venture of the Eagle Spirit Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Eagle Spirit Group's Financial Information to the Eagle Spirit Group only to the extent of interests in the joint venture that are not related to the Eagle Spirit Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Eagle Spirit Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Eagle Spirit Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Eagle Spirit Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Eagle Spirit Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Eagle Spirit Group discontinues the use of the equity method at the time of disposal when the disposal results in the Eagle Spirit Group losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Eagle Spirit Group accounts for any retained interest in the associate or the joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Eagle Spirit Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets disposal group classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of sale.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from hotels accommodation, food and banquet operations is recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Eagle Spirit Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Management fee and secondment fee income are recognised when services are provided.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) and freehold land held for use in the production or supply of services or for administrative purposes other than hotel property under construction and construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Hotel property in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Eagle Spirit Group's accounting policy. Such property are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than hotel property under construction and construction in progress less their estimated residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Eagle Spirit Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from a joint venture, trade and other receivables, amounts due from fellow subsidiaries, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Eagle Spirit Group after deducting all of its liabilities. Equity instruments issued by Eagle Spirit are recognised at the proceeds received, net of direct issue cost.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities including trade and other payables, amount(s) due to immediate holding company/ fellow subsidiaries, loan from a related company/a fellow subsidiary and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Eagle Spirit Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Eagle Spirit Group derecognises financial liability when, and only when, the Eagle Spirit Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Club debentures

Club debentures with indefinite useful life is carried at cost less any subsequent accumulated impairment losses.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Eagle Spirit Group's defined contribution retirement benefit plans, including the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Eagle Spirit Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in a joint venture except where the Eagle Spirit Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Eagle Spirit Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Impairment losses

At the end of the reporting period, the Eagle Spirit Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Eagle Spirit Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

In the application of the Eagle Spirit Group's accounting policies, which are described in note 4, the directors of Eagle Spirit are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following is the critical judgment, apart from those involving estimations, that the directors of Eagle Spirit have made in the process of applying the Eagle Spirit Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information of the Eagle Spirit Group.

Classification of More Star as a joint venture

During the six months ended 30th June, 2014, Eagle Spirit disposed of 60% equity interest in More Star. Since the completion of the disposal, Eagle Spirit has held a 40% equity interest in More Star. The directors of Eagle Spirit assessed whether or not Eagle Spirit has the ability to direct the relevant activities of More Star unilaterally. In making their judgment, the directors of Eagle Spirit consider the Eagle Spirit Group does not have control over More Star because under the relevant shareholders' agreement, the relevant activities require unanimous consent from both shareholders of More Star. The directors of Eagle Spirit concluded that neither the Eagle Spirit Group nor the other joint venture partner have the ability to control More Star unilaterally and therefore More Star is considered as jointly controlled by Eagle Spirit and the other joint venture partner. As such, More Star has been classified and accounted for as a joint venture.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided by the Eagle Spirit Group to outside customers, net of discounts and sales related taxes. It is analysed as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hotel accommodation	—	46,223	107,304	46,358	55,045
Food and beverage	—	9,257	16,506	9,897	14,276
Others	—	463	1,369	606	805
Total	—	55,943	125,179	56,861	70,126

The directors of Eagle Spirit, being the chief operating decision makers, assess the performance and allocate the resources of the Eagle Spirit Group as a whole because the Eagle Spirit Group is engaged in hotel operation.

Geographical information

The operation and assets of the Eagle Spirit Group are located in Hong Kong.

Information about major customers

None of the customers individually contributed over 10% of the Eagle Spirit Group's revenue during the Relevant Period.

7. OTHER INCOME

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Management fee income from related companies *(note 32a(ii))*	22,640	19,540	17,820	7,660	6,860
Management fee income from outsiders	72	—	—	—	—
Secondment fee income from related companies *(note 32a(ii))*	10,382	10,037	9,666	4,906	4,098
Secondment fee income from outsiders	610	770	1,769	695	1,208
Bank interest income	4	3	102	46	174
Interest income from amount due from a joint venture	—	—	—	—	6,067
Sundry income	446	869	828	—	479
	34,154	31,219	30,185	13,307	18,886

8. FINANCE COSTS

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on bank borrowing wholly repayable within five years	4,217	10,727	16,883	8,275	3,333
Loan from a related company	569	164	—	—	—
Loan from a fellow subsidiary	—	383	420	208	99
Loan from a third party	—	454	—	—	—
Less: amounts capitalised	(4,217)	(5,227)	—	—	—
	569	6,501	17,303	8,483	3,432

The hotel property under construction included in property, plant and equipment included finance costs arising from bank borrowing borrowed specifically for the purpose of the construction of the Property (as defined in note 1). During the years ended 31st December, 2011 and 2012, the finance costs capitalised as cost of hotel property under construction amounted to approximately HK$4,217,000 and HK$5,227,000 respectively.

9. INCOME TAX EXPENSE

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax					
PRC withholding tax	1,378	1,463	1,514	763	757
Deferred tax *(note 23)*	—	—	—	—	—
Tax for the year/period	1,378	1,463	1,514	763	757

Under the Law of the PRC, PRC withholding tax of 5.2%–15.6%, 5.2%–18.1%, 5.2%–18.1%, 6.0%–18.1% and 6.0%–18.1% was imposed on certain subsidiaries regarding various service fee income received from fellow subsidiaries in the PRC for the years ended 31st December, 2011, 2012 and 2013, and the six months ended 30th June, 2013 and 2014 respectively.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Period.

No Hong Kong Profits Tax is provided as the Eagle Spirit Group did not have assessable profit during the years ended 31st December, 2011 and 2012.

The Eagle Spirit Group has available tax losses brought forward from prior years to offset against the assessable profits generated during the year ended 31st December, 2013 and the six months ended 30th June, 2013 and 2014.

The taxation for the year/period can be reconciled to the profit per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before tax	18,880	14,581	33,353	9,712	470,589
Tax at the domestic income tax rate of 16.5%	3,115	2,406	5,503	1,602	77,647
Tax effect of share of result of a joint venture	—	—	—	—	(157)
Tax effect of income not taxable for tax purpose	(4,595)	(5,162)	(3,617)	(1,708)	(80,431)
Tax effect of expense not deductible for tax purpose	1,113	2,769	978	540	1,001
Withholding tax on income from the PRC	1,378	1,463	1,514	763	757
Tax effect of tax loss not recognised	442	2,028	1,137	1,007	1,940
Utilisation of tax losses previously not recognised	(75)	(2,041)	(4,001)	(1,441)	—
Tax charge for the year/period	1,378	1,463	1,514	763	757

Details of deferred taxation are set out in note 23.

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period has been arrived at after charging:					
Auditor's remuneration	250	250	296	125	75
Directors' emoluments					
Fees, salaries and other benefits	2,982	4,490	6,767	2,047	1,980
Retirement benefits scheme contributions	24	28	35	20	16
Total directors' emoluments	3,006	4,518	6,802	2,067	1,996
Other staff costs:					
Salaries	8,357	26,671	45,576	23,198	25,099
Retirement benefits scheme contributions	208	848	1,656	887	925
Total staff costs	8,565	27,519	47,232	24,085	26,024
Depreciation of property, plant and equipment	128	5,211	12,396	8,712	144
Minimum lease payment under operating leases in respect of rented premises	58	398	454	308	239
Minimum lease payment under operating leases in respect of rented premises paid to a joint venture	—	—	—	—	18,925
Loss on disposal of property, plant and equipment	7	—	—	—	—
Transaction cost for disposal of subsidiaries	—	—	—	—	3,000
and after crediting:					
Interest income	4	3	102	46	6,241

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

12. PROPERTY, PLANT AND EQUIPMENT

	Hotel property *HK$'000*	Hotel property under construction *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1st January, 2011	—	232,912	415	170	233,497
Additions	—	397,178	788	—	397,966
Disposals	—	—	(16)	—	(16)
At 31st December, 2011	—	630,090	1,187	170	631,447
Additions	—	197,145	162	—	197,307
Transferred to (from) hotel property under construction	827,235	(827,235)	—	—	—
At 31st December, 2012	827,235	—	1,349	170	828,754
Additions	—	—	77	332	409
Transferred to assets classified as held for sale	(827,235)	—	(62)	—	(827,297)
At 31st December, 2013	—	—	1,364	502	1,866
Additions	—	—	25	—	25
At 30th June, 2014	—	—	1,389	502	1,891
ACCUMULATED DEPRECIATION					
At 1st January, 2011	—	—	268	71	339
Provided for the year	—	—	94	34	128
Disposals	—	—	(9)	—	(9)
At 31st December, 2011	—	—	353	105	458
Provided for the year	5,043	—	134	34	5,211
At 31st December, 2012	5,043	—	487	139	5,669
Provided for the year	12,102	—	241	53	12,396
Transferred to assets classified as held for sale	(17,145)	—	(12)	—	(17,157)
At 31st December, 2013	—	—	716	192	908
Provided for the period	—	—	110	34	144
At 30th June, 2014	—	—	826	226	1,052
CARRYING VALUES					
At 30th June, 2014	—	—	563	276	839
At 31st December, 2013	—	—	648	310	958
At 31st December, 2012	822,192	—	862	31	823,085
At 31st December, 2011	—	630,090	834	65	630,989

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum, after taking into accounting of their estimate residual value.

Hotel property (comprising land and building)	Over the shorter of the remaining lease terms or 2.5%
Furniture, fixtures and equipment	10%–20%
Motor vehicles	8.33%–20%

The hotel property is situated in Tai Kok Tsui, Kowloon, Hong Kong under a medium-term lease.

The hotel property or hotel property under construction with an aggregate carrying values of HK$630,090,000, HK$822,192,000 and HK$810,090,000 (included in assets classified as held for sale) as at 31st December, 2011, 2012 and 2013 respectively was pledged to secure a bank loan granted to the Eagle Spirit Group.

13. CLUB DEBENTURES

The club debentures represent corporate membership fee paid to a dining club with indefinite useful life. The directors of Eagle Spirit consider that no impairment was identified with reference to market price of the club debentures.

14. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost of unlisted investment in a joint venture	—	—	—	192,771
Share of post-acquisition profit	—	—	—	954
	—	—	—	193,725
Amount due from a joint venture	—	—	—	299,078

As set out in notes 20 and 26, following the completion of the disposal by Eagle Spirit of 60% of its equity interest in More Star on 14th March, 2014, the Eagle Spirit Group retained a 40% equity interest in More Star, a former wholly-owned subsidiary of Eagle Spirit, which acts as an investment holding company and its subsidiary, Fortress State, which is principally engaged in holding Rosedale Hotel Kowloon as an investment property as it is held to earn rentals or for capital appreciation from the perspective of the More Star Group as a whole.

Subsequent to the completion of the disposal, More Star ceased to be a subsidiary of Eagle Spirit and became a joint venture of Eagle Spirit, as Eagle Spirit is able to exercise joint control over the relevant activities of More Star as major decisions regarding the relevant activities of More Star require unanimous consent of both of the shareholders of More Star according to the shareholders' agreement.

More Star is strategic to the Eagle Spirit Group as it holds a hotel property in Hong Kong and enables the Eagle Spirit Group to keep exposure to this market through local expertise.

The Eagle Spirit Group's 40% interest in More Star is initially measured at its fair value on 14th March, 2014, which is determined with reference to the total consideration paid by the Purchaser (as defined in note 20).

The amount due from a joint venture is unsecured, interest bearing at Hong Kong Dollar Interbank Prime Lending Rate (the "**Prime Rate**") plus 2% and repayable after twelve months at the end of the reporting period.

Details of the Eagle Spirit Group's joint venture at 30th June, 2014 are as follows:

Name	Form of entity	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held by Eagle Spirit at 30th June, 2014	Proportion of voting power held by Eagle Spirit at 30th June, 2014	Principal activity
More Star	Limited liability	BVI	Ordinary	40%	40%	Investment holding
Wholly-owned subsidiary of More Star:						
Fortress State	Limited liability	Hong Kong	Ordinary	40%	40%	Holding of a hotel property in Hong Kong

The summarised consolidated financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with HKFRSs.

	As at 30th June, 2014 *HK$'000*
Current assets	6,470
Non-current asset *(note)*	1,285,000
Current liabilities	(11,557)
Non-current liabilities	(768,100)
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	6,422
Current financial liabilities (excluding trade and other payables and provisions)	—
Non-current financial liabilities (excluding trade and other payables and provisions)	752,100

note: The non-current asset solely represents the Rosedale Hotel Kowloon held as an investment property.

	From 15th March, 2014 to 30th June, 2014
	HK$'000
Revenue	18,925
Profit for the period	2,385
Other comprehensive income	—
Total comprehensive income for the period	2,385
Dividends received from the joint venture during the period	—

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in the joint venture as at 30th June, 2014 recognised in the Financial Information of the Eagle Spirit Group:

	HK$'000
Net assets of the joint venture	511,813
Proportion of the Eagle Spirit Group's ownership interest in the joint venture	40%
Net assets of the joint venture attributable to the Eagle Spirit Group	204,725
Effect of fair value adjustment on acquisition	(11,000)
Carrying amounts of the Eagle Spirit Group's interest in a joint venture	193,725

15. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at prevailing market interest rates of 0.01% per annum for the Relevant Period. The pledged bank deposit at 31st December, 2011 and 2012 carried prevailing market interest rate of 0.01% per annum and were pledged for banking facilities used by the Eagle Spirit Group.

Included in assets classified as held for sale (*note 20*) at 31st December, 2013 is pledged bank balances of HK$5,000,000, being pledged for bank borrowing included as liabilities associated with assets held for sale.

16. INVENTORIES

The inventories were carried at cost and represent principally food, beverages and general stores which are to be utilised in the ordinary course of operations.

17. TRADE AND OTHER RECEIVABLES

	As at 31st December, 2011 HK$'000	As at 31st December, 2012 HK$'000	As at 31st December, 2013 HK$'000	As at 30th June, 2014 HK$'000
Trade receivables	—	3,585	5,432	2,924
Prepayments	205	634	548	5,870
Rental and other deposits	262	489	1,526	17,577
Others	433	248	326	473
Total trade and other receivables	900	4,956	7,832	26,844
Less: rental deposit classified as non-current asset	—	—	—	(16,000)
Trade and other receivables classified as current assets	900	4,956	7,832	10,844

The Eagle Spirit Group allows an average credit period ranging from 0 to 30 days to certain of its corporate trade customers. The following is an aged analysis of trade receivables presented based on the invoice dates, which approximated the respective revenue recognition dates, at the end of each reporting period.

	As at 31st December, 2011 HK$'000	As at 31st December, 2012 HK$'000	As at 31st December, 2013 HK$'000	As at 30th June, 2014 HK$'000
Trade receivables:				
0–30 days	—	3,559	5,104	2,857
31–60 days	—	26	214	67
61–90 days	—	—	90	—
Over 90 days	—	—	24	—
	—	3,585	5,432	2,924

Before accepting any new customer, the Eagle Spirit Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year, and the Eagle Spirit Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

Included in the Eagle Spirit Group's trade receivable balances are debtors with aggregate carrying amount of approximately HK$26,000, HK$328,000 and HK$67,000 which are past due as at 31st December, 2012 and 2013 and 30th June, 2014 respectively. The Eagle Spirit Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Eagle Spirit Group does not hold any collateral over these balances.

Aged analysis of trade receivables which are past due but not impaired is as follows:

	As at 31st December,			As at 30th June,
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31–60 days	—	26	214	67
61–90 days	—	—	90	—
Over 90 days	—	—	24	—
Total	—	26	328	67

The Eagle Spirit Group performed assessment on individual trade receivables and no allowance was recognised for the end of each reporting period.

As at 30th June, 2014, the non-current rental deposit amounting to HK$16,000,000 and included in prepayments for an amount of HK$5,333,000 represent a deposit and rental prepayments, respectively, made for leasing Rosedale Kowloon Hotel in connection with the Master Lease (defined in note 20), detail of which are set out in note 20.

18. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY

The amounts are unsecured, interest free and repayable on demand.

19. LOAN FROM A RELATED COMPANY/FELLOW SUBSIDIARY

The loan from a related company, ITC Management Limited ("**ITC Management**") as at 31st December, 2011 was unsecured, interest bearing at Prime Rate plus 2% per annum and was fully repaid during the year ended 31st December, 2012. ITC Management is a related company to Eagle Spirit as the holding company of ITC Management has significant influence over Rosedale Hotel.

The loan from a fellow subsidiary, HMH China Investment Limited ("**HMH China Investment**"), was unsecured and repayable on demand with interest at the Prime Rate plus 2% per annum. HMH China Investment is a fellow subsidiary under common control of the ultimate holding company, Rosedale Hotel.

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 5th November, 2013, Eagle Spirit and an independent third party (the "**Purchaser**") entered into a conditional disposal agreement pursuant to which Eagle Spirit agreed to (a) dispose to the Purchaser of 60% of the entire equity interest in and 60% of shareholder's loan due from More Star; (b) cause Eagle Spirit's another wholly-owned subsidiary, Rosedale Kowloon, to enter into a lease agreement as the lessee with Fortress State to lease the Property for its hotel operation for a term of six years (the "**Master Lease**"); (c) grant to the Purchaser a put option relating to the acquisition from the Purchaser of all the 60% equity interest in and corresponding shareholder's loan due from More Star (the "**Purchaser Put Option**") which is exercisable only in the event of a Deadlock; and (d) grant to the Purchaser a call option relating to the disposal to the Purchaser of the remaining 40% equity interest in and corresponding shareholder's loan due from More Star (the "**Purchaser Call Option**") which is exercisable only in the event of a Deadlock, for a total cash consideration of HK$762,893,000.

The Purchaser shall be entitled to exercise the Purchaser Put Option or the Purchaser Call Option if a proposal is made by the Purchaser or a director nominated by it in relation to: (a) the leasing or licensing of the Property as a whole to a party other than Rosedale Kowloon; or (b) the appointment of any party other than Rosedale Kowloon as operator or manager of the Property, on or after the expiration or earlier termination of the Master Lease to be entered into between Fortress State and Rosedale Kowloon and such proposal is not approved by Eagle Spirit (the occurrence of a "**Deadlock**").

In assessing the amount of the total consideration for the disposal, the fair value of the Purchaser Put Option and the Purchaser Call Option has not been accounted for. In the opinion of the directors of Eagle Spirit, there are no significant fair values for the two options as their exercise prices are the considerations that have to be arrived at using fair values to be determined by independent professional valuers and the exercisability of these options by the option holder is dependent upon the occurrence of a Deadlock.

The assets and liabilities attributable to the Eagle Spirit Group's interest in More Star, which was expected to be sold within twelve months from 31st December, 2013, have been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position. The consideration was expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment had been recognised.

The major classes of assets and liabilities of More Star as at 31st December, 2013, which had been presented separately in the consolidated statement of financial position, were as follows:

	HK$'000
Property plant and equipment	810,140
Other receivables	52
Pledged bank balances	5,000
Bank balances	22,114
Total assets classified as held for sale	837,306
Other payables	5,944
Bank borrowings	630,000
Total liabilities associated with assets classified as held for sale	635,944

During the year ended 31st December, 2013, the Eagle Spirit Group repaid bank loan of HK$435,000,000 and obtained bank loan amounting to HK$630,000,000 which were repayable within one year. Hotel property of HK$810,090,000 included under assets classified as held for sale was pledged as securities for the bank borrowing as at 31st December, 2013.

The transaction was completed on 14th March, 2014 and the Master Lease was entered into between Rosedale Kowloon and Fortress State with effective from 1st April, 2014. The gain on disposal of More Star amounted to HK$474,098,000, details of which are set out in note 26.

21. TRADE AND OTHER PAYABLES

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	—	1,586	1,498	1,285
Deposits received	1,137	695	2,190	1,795
Other payables	1,648	35,421	718	63
Accruals	25,960	10,070	12,087	16,119
	28,745	47,772	16,493	19,262

The following is an aged analysis of trade payables present based on invoice date at the end of each reporting period:

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	—	1,406	1,419	1,270
31–60 days	—	155	14	15
61–90 days	—	3	65	—
Over 90 days	—	22	—	—
	—	1,586	1,498	1,285

The credit period on purchase of goods ranges from 30 to 60 days. For certain suppliers, the Eagle Spirit Group is required to make prepayments and/or pay deposits to the suppliers based on the supplier agreements for purchase of goods.

22. BANK BORROWING

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loan	405,000	435,000	—	—

The bank borrowing is repayable as follows:

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	405,000	435,000	—	—

The secured bank loan amounting to HK$405,000,000 as at 31st December, 2011, which was denominated in HK$ and carried interest at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.75% per annum, was raised during the year then ended and repayable within one year from that date. The average effective borrowing rate was 1.76%.

The secured bank loan, amounting to HK$435,000,000 as at 31st December, 2012, which was denominated in HK$ and carried interest at HIBOR plus 2.5% per annum was raised during the year then ended and repayable within one year from that date. The average effective borrowing rate was 2.9%.

A secured bank loan amounting to HK$630,000,000 was raised during the year ended 31st December, 2013. This was denominated in HK$ and carried interest at HIBOR plus 2.5% per annum and was included in liabilities associated with assets held for sale as at 31st December, 2013 and repaid in full on 14th March, 2014. The average effective borrowing rate was 2.7%.

23. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Relevant Period:

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1st January, 2011	42	(42)	—
Charge (credit) for the year	75	(75)	—
At 1st January, 2012	117	(117)	—
Charge (credit) for the year	2,041	(2,041)	—
At 31st December, 2012	2,158	(2,158)	—
Charge (credit) for the year	879	(879)	—
At 31st December, 2013	3,037	(3,037)	—
(Credit) charge for the year	(9)	9	—
Derecognition upon disposal of subsidiaries	(3,028)	3,028	—
At 30th June, 2014	—	—	—

The Eagle Spirit Group has estimated unused tax losses of HK$42,421,000, HK$54,711,000, HK$42,682,000 and HK$36,031,000 as at 31st December, 2011, 2012 and 2013, and 30th June, 2014 respectively, available for offset against future taxable profits. A deferred tax asset has been recognised in respect of HK$709,000, HK$13,079,000 and HK$18,406,000 of such losses as at 31st December, 2011, 2012 and 2013 respectively. No deferred tax assets have been recognised in respect of the remaining unused losses of HK$41,712,000, HK$41,632,000, HK$24,276,000 and HK$36,031,000 as at 31st December, 2011, 2012 and 2013, and 30th June, 2014 respectively due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

24. SHARE CAPITAL

Eagle Spirit	**Number of shares**	**Nominal value** *US$*
Ordinary shares of US$1 each		
Authorised:		
At 31st December, 2011, 2012 and 2013 and 30th June, 2014	50,000	50,000
Issued and fully paid:		
At 31st December, 2011, 2012 and 2013 and 30th June, 2014	1	1

	HK$'000
Shown in the Financial Information to the Eagle Spirit Group as:	
At 31st December, 2011, 2012 and 2013 and 30th June, 2014	—

There were no changes in Eagle Spirit's authorised, issued and fully paid share capital during the Relevant Period.

25. RETIREMENT BENEFIT PLANS

The Eagle Spirit Group has retirement schemes covering a substantial portion of its employees in Hong Kong. The principal schemes are defined contribution schemes. The assets of these schemes are held separately from those of the Eagle Spirit Group in funds under the control of independent trustees.

With effect from 1st December, 2000, the Eagle Spirit Group joined a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all its new employees in Hong Kong employed therefrom or existing employees wishing to join the MPF Scheme. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Eagle Spirit Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are required to make contributions to the MPF Scheme at 5% of relevant payroll cost. Subject to a cap to monthly relevant income of HK$25,000 since 1st June, 2012 (previously HK$20,000), which contribution is matched by employees. The only obligation of the Eagle Spirit Group in respect of MPF Scheme is to make the required contributions under the MPF Scheme.

The total cost of HK$232,000, HK$876,000, HK$1,691,000 and HK$941,000 for each of the years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014 respectively charged to consolidated statements of profit or loss and other comprehensive income represents contribution paid or payable to the above retirement benefit plans by the Eagle Spirit Group.

At the end of each of the reporting period, the Eagle Spirit Group had no significant obligation apart from the contribution as stated above.

26. DISPOSAL OF SUBSIDIARIES

The disposal by Eagle Spirit of 60% equity interest in More Star and 60% of its shareholder's loan due from More Star as disclosed in note 20 was completed on 14th March, 2014.

	HK$'000
Cash consideration received	762,893

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	810,140
Bank balances and cash	50
Other receivables	49
Shareholder's loan *(note)*	(763,125)
Other payables	(8,611)
Net assets disposed of	38,503

note: The shareholder's loan includes (1) the amount due to Eagle Spirit, the immediate holding company of More Star before the completion of the disposal, after which it became a shareholder with joint control over More Star, and (2) the amount advanced by Eagle Spirit to More Star for the repayment of bank borrowing.

Gain on disposal of subsidiaries:

	HK$'000
Cash consideration	762,893
Net assets disposed of	(38,503)
Sale of 60% of shareholder's loan	(457,875)
Initial recognition at fair value of 40% interest in More Star as an interest in a joint venture	192,771
Gain on disposal of 60% equity interest in More Star	459,286

Net cash inflow from disposal of subsidiaries:

Cash consideration received	762,893
Less: Bank balances and cash disposed of	(50)
	762,843

27. OPERATING LEASE

The Eagle Spirit Group as lessee

Minimum lease payments paid under operating leases for premises during the years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014 were HK$58,000, HK$398,000, HK$454,000 and HK$19,164,000 respectively.

At the respective reporting period end, the Eagle Spirit Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31st December,			As at 30th June,
	2011	2012	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	180	431	219	65,309
In the second to fifth year inclusive	109	91	150	291,559
Over five years	—	—	—	60,000
	289	522	369	416,868

Operating lease payments represent rentals payable by the Eagle Spirit Group for certain of its office and hotel property. Leases are generally negotiated for terms from 1 to 6 years. As at 14th March, 2014 upon the completion of the disposal, the Master Lease was entered into between Rosedale Kowloon and Fortress State for a term of six years and the license fee comprised monthly base rent and turnover rent, details of which are set out in note 20.

28. SHARE OPTION SCHEME

The share option scheme of Rosedale Hotel (the "**Rosedale Hotel 2002 Scheme**") adopted on 3rd May, 2002 (as amended on 27th May, 2005) expired on 3rd May, 2012. No share options were granted under the Rosedale Hotel 2002 Scheme during the years ended 31st December, 2011 and 2012, nor outstanding under the Rosedale Hotel 2002 Scheme at 31st December, 2011 and 2012.

Following the expiry of the Rosedale Hotel 2002 Scheme, a new share option scheme of Rosedale Hotel (the "**Rosedale Hotel 2013 Scheme**") was adopted on 30th May, 2013 and became effective on 3rd June, 2013. The purpose of the Rosedale Hotel 2013 Scheme is to enable Rosedale Hotel to grant options to subscribe for shares of Rosedale Hotel (the "**Options**") to any eligible employee (including executive directors), any non-executive director, any supplier of goods or services and any customer, of Rosedale Hotel or any entity in which Rosedale Hotel holds an equity interest (the "**Invested Entity**"), any consultant, adviser, manager, officer and entity that provides research, development or other technological support to Rosedale Hotel and the Invested Entity and any shareholder or any member of Rosedale Hotel who has contributed to the business of Rosedale Hotel or any Invested Entity or any holder of any securities issued by any member of Rosedale Hotel or any Invested Entity, as incentives or rewards for their contributions or potential contribution to Rosedale Hotel.

The total number of shares in respect of which Options may be granted under the Rosedale Hotel 2013 Scheme, when aggregated with any shares subject to any other schemes, is not permitted to exceed 10% of the shares of Rosedale Hotel in issue on the date of adoption of the Rosedale Hotel 2013 Scheme (the "**Scheme Mandate Limit**") unless Rosedale Hotel obtains an approval from its shareholders in general meeting to refresh the Scheme Mandate Limit such that the number of shares of Rosedale Hotel in respect of which Options may be granted under the Rosedale Hotel 2013 Scheme and any other share option schemes of Rosedale Hotel shall not exceed 10% of the shares of Rosedale Hotel in issue as at the date of approval. Nevertheless, the maximum number of shares of Rosedale Hotel which may be issued upon exercise of all outstanding Options granted and not yet exercised under the Rosedale Hotel 2013 Scheme and any other share option schemes of Rosedale Hotel shall not exceed 30% of the issued shares of Rosedale Hotel from time to time. The Rosedale Hotel 2013 Scheme shall be valid and effective for a period of 10 years commencing on 3rd June, 2013 subject to earlier termination by Rosedale Hotel in general meeting or by its board of directors.

The acceptance of an Option granted under the Rosedale Hotel 2013 Scheme must be taken up within 21 days from the date of grant and to be accompanied by payment of the consideration of HK$1.00. The Options may be exercised in accordance with the terms of the Rosedale Hotel 2013 Scheme at any time during a period as the board of directors of Rosedale Hotel may in its absolute discretion determine which shall not be more than 10 years from the date of grant and subject to the provisions of early termination thereof and the board of directors of Rosedale Hotel may provide restrictions on the exercise of an Option.

No Options under the Rosedale Hotel 2013 Scheme were granted, exercised, cancelled or lapsed during the year ended 31st December, 2013 and the six months ended 30th June, 2014, nor Options outstanding under the Rosedale Hotel 2013 Scheme at 31st December, 2013 and 30th June, 2014.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31st December,			As at 30th June,
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	11,009	29,292	147,109	314,066
Financial liabilities				
Amortised cost	599,329	813,887	276,802	68,847

(b) Financial risk management objectives and policies

The Eagle Spirit Group's major financial instruments include amount due from a joint venture, trade and other receivables, amounts due from fellow subsidiaries, pledged bank deposits, bank balances and cash, trade and other payables, amount due to immediate holding company/fellow subsidiaries, loan from a related company, a fellow subsidiary and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Eagle Spirit Group's exposure to cash flow interest rate risk is mainly in relation to variable-rate loan from a related company, loan from a fellow subsidiary and bank borrowing (see notes 19 and 22 for details). The management continuously monitors interest rate fluctuation.

The Eagle Spirit Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Eagle Spirit Group's cash flow interest rate risk is mainly related to the fluctuation of HIBOR and prevailing market interest rate.

The Eagle Spirit Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of Eagle Spirit consider the Eagle Spirit Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period and fluctuation of savings interest rates on bank balances is minimal.

A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher and all other variables were held constant, the Eagle Spirit Group's profit for the years ended 31st December, 2011 and 2012 would decrease by HK$2,074,000 and HK$2,090,000 respectively. If interest rate had been 50 basis points higher and all other variables were held constant, the Eagle Spirit Group's profit for the year ended 31st December, 2013 and the six months ended 30th June, 2014 would decrease by HK$2,464,000 and HK$1,441,000 respectively.

Credit risk

As at the respective reporting dates, the Eagle Spirit Group's maximum exposure to credit risk which will cause a financial loss to the Eagle Spirit Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position and the statements of financial position.

The Eagle Spirit Group has concentration of credit risk on its amount due from a joint venture. The joint venture is engaged in investment holding of a hotel property known as "Rosedale Hotel Kowloon" situated in Hong Kong. The directors of Eagle Spirit consider that the joint venture has good credit quality by taking into account of its financial position.

In addition, the Eagle Spirit Group's credit risk is attributable to its trade receivables. In order to minimise the credit risk, the management of the Eagle Spirit Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Eagle Spirit Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Eagle Spirit consider that the Eagle Spirit Group's credit risk is significantly reduced.

The Eagle Spirit Group's credit risk is also attributable to its amounts due from fellow subsidiaries. The fellow subsidiaries are engaged in hotel operation and management services. As represented by the directors of Eagle Spirit, the fellow subsidiaries also have good credit quality by taking into account of their credit history.

The credit risk for pledged bank deposits and bank balances exposed to is considered minimal as such amounts are placed with banks with good reputation.

Other than above, the Eagle Spirit Group does not have any other significant concentration of credit risk at the end of the reporting period.

Liquidity risk

In preparing the Financial Information to the Eagle Spirit Group, the directors of Eagle Spirit have given careful consideration to the future liquidity and going concern of the Eagle Spirit Group in light of the fact that the Eagle Spirit Group's current liabilities exceeded its current asset by HK$614,950,000, HK$793,928,000 and HK$63,777,000 as at 31st December, 2011 and 2012 and 30th June, 2014 respectively. The directors of Eagle Spirit are satisfied that the Eagle Spirit Group will have sufficient financial funds to meet in full its financial obligations as they fall due for the foreseeable future, after taking into consideration that Rosedale Hotel has agreed to provide adequate funds for the Eagle Spirit Group to meet in full and up to the date of the completion of the Eagle Spirit Transaction its financial obligations. Moreover, upon completion of the Eagle Spirit Transaction, ITCP will provide financial support to the Eagle Spirit Group to meet in full its financial obligations as they fall due in the foreseeable future.

The Eagle Spirit Group relies on bank borrowings as a significant source of liquidity. In the management of liquidity risk, the Eagle Spirit Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Eagle Spirit Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

The following tables detail the Eagle Spirit Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Eagle Spirit Group can be required to pay. Specifically, bank borrowing with a repayable on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted cash flows	Carrying value at 31st December, 2011
	%	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2011				
Trade and other payables	—	1,648	1,648	1,648
Amounts due to fellow subsidiaries	—	178,681	178,681	178,681
Loan from a related company	7.00	14,000	14,000	14,000
Bank borrowing	1.76	405,000	405,000	405,000
		599,329	599,329	599,329

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted cash flows	Carrying value at 31st December, 2012
	%	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2012				
Trade and other payables	—	36,901	36,901	36,901
Amounts due to fellow subsidiaries	—	335,986	335,986	335,986
Loan from a fellow subsidiary	7.00	6,000	6,000	6,000
Bank borrowing	2.90	435,000	435,000	435,000
		813,887	813,887	813,887

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted cash flows	Carrying value at 31st December, 2013
	%	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2013				
Trade and other payables	—	1,690	1,690	1,690
Amounts due to fellow subsidiaries	—	269,112	269,112	269,112
Loan from a fellow subsidiary	7.00	6,000	6,000	6,000
		276,802	276,802	276,802

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted cash flows	Carrying value at 30th June, 2014
	%	*HK$'000*	*HK$'000*	*HK$'000*
At 30th June, 2014				
Trade and other payables	—	1,348	1,348	1,348
Amount due to immediate holding company	—	36,619	36,619	36,619
Amount due to a fellow subsidiary	—	30,880	30,880	30,880
		68,847	68,847	68,847

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowing with a repayment on demand clause was included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31st December, 2011, 31st December, 2012 and 31st December, 2013, the aggregate principal amounts of this bank borrowing amounted to HK$405,000,000, HK$435,000,000 and HK$630,000,000 respectively. Such bank borrowing was fully repaid during the six months ended 30th June, 2014. Taking into account the Eagle Spirit Group's financial position, the directors of Eagle Spirit did not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of Eagle Spirit believed that such bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates were set out as follows:

	Interest rate	Less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying amount at end of the reporting period
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31st December, 2011						
Bank borrowing	2.00	408,713	—	—	408,713	405,000
31st December, 2012						
Bank borrowing	2.90	435,051	—	—	435,051	435,000
31st December, 2013						
Bank borrowing	2.70	34,263	25,032	639,744	699,039	630,000
30th June, 2014						
Bank borrowing	—	—	—	—	—	—

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Eagle Spirit consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information to the Eagle Spirit Group approximate their fair values.

30. PLEDGE OF ASSETS

At the end of each reporting period, the Eagle Spirit Group has pledged the following assets for bank borrowing:

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	630,090	822,192	810,090	—
Pledged bank balances	3,066	3,263	5,000	—
	633,156	825,455	815,090	—

The assets pledged were fully released on 14th March, 2014.

A corporate guarantee was issued by Rosedale Hotel to the bank for the bank borrowing of the Eagle Spirit Group during the Relevant Period.

31. CAPITAL COMMITMENTS

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in respect of the development of hotel property under construction	31,752	—	—	—

32. RELATED PARTY DISCLOSURES

(a) Details of balances with related parties at the end of each reporting period and significant transactions entered into during the reporting periods are as follows:

(i) Balances

Details of the Eagle Spirit Group's outstanding balances with related companies are set out in notes 17, 18 and 19.

(ii) Transactions

Name of transaction	Relationship	Year ended 31st December, 2011	2012	2013	Six months ended 30th June, 2013	2014
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Consultancy and design fee income	Fellow subsidiaries	16,540	14,740	12,920	6,660	4,260
	A related company	—	—	100	—	600
Management fee income *(note (i))*	Fellow subsidiaries	6,100	4,800	4,800	1,000	2,000
Secondment fee income *(note (ii))*	Fellow subsidiaries	10,382	10,037	9,666	4,906	4,098
Interest income	Joint venture	—	—	—	—	6,067
Interest expenses	A related company	569	164	—	—	—
	Fellow subsidiary	—	383	420	208	99
Rental expenses	Joint venture	—	—	—	—	18,925
Management fee expenses	Fellow subsidiaries	—	5,000	4,000	—	—

Notes:

(i) Management fee income represents the provision of hotel corporate management consultancy services to hotels in Hong Kong and the PRC.

(ii) Secondment fee income represents the allocation of staff cost to fellow subsidiaries.

(b) Compensation of key management personnel

	Year ended 31st December, 2011	2012	2013	Six months ended 30th June, 2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Short term benefits	2,982	4,490	6,767	2,047	1,980
Post-employment benefits	24	28	35	20	16
	3,006	4,518	6,802	2,067	1,996

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Eagle Spirit or any companies of the Eagle Spirit Group subsequent to 30th June, 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE EAGLE SPIRIT GROUP

Set out below is the management discussion and analysis of the Eagle Spirit Group for the three years ended 31st December, 2011, 2012 and 2013 respectively and the six months ended 30th June, 2014 (the "**Relevant Periods**").

Business review

The principal asset and business of the Eagle Spirit Group was the TKT Hotel, which construction was completed in December 2011. On 14th March, 2014, the Eagle Spirit Group disposed of 60% interest in More Star (the "**MS Disposal**"), which indirectly owned the entire property interest in the TKT Hotel. Since then, the remaining 40% interest in More Star has been accounted for as a joint venture by the Eagle Spirit Group.

The TKT Hotel has been operated by another wholly-owned subsidiary of Eagle Spirit for property income and licence income since July 2012, as a "Rosedale" branded 4-star rated hotel with 435 guestrooms and restaurants.

Financial results

The revenue from the operation of the TKT Hotel for the years ended 31st December, 2012 and 2013 was HK$55.9 million and HK$125.2 million respectively while that for the six months ended 30th June, 2014 was HK$70.1 million.

There was other income of HK$34.2 million, HK$31.2 million, HK$30.2 million and HK$18.9 million recognised for the year ended 31st December, 2011, 2012, 2013 and for the six months ended 30th June, 2014 respectively for management services provided to other subsidiaries of Rosedale. The gain on disposal of a subsidiary of HK$459.3 million recognised during the six months ended 30th June, 2014 represented the gain from the MS Disposal. The profits for the years ended 31st December, 2011, 2012 and 2013 were HK$17.5 million, HK$13.1 million and HK$31.8 million respectively while that for the six months ended 30th June, 2014 was HK$469.8 million.

Liquidity and capital resources

Financial position

As at 31st December, 2011, 2012 and 2013, the Eagle Spirit Group had property, plant and equipment, mainly comprising of the TKT Hotel, of HK$631.0 million (under construction), HK$823.1 million and HK$810.1 million (included under the assets classified as held for sale). The TKT Hotel was stated at cost less depreciation instead of valuation. After the MS Disposal, More Star was accounted for as a joint venture of a carrying value of HK$492.8 million (comprising interest in a joint venture of HK$193.7 million and amount due from a joint venture of HK$299.1 million) as at 30th June, 2014.

The Eagle Spirit Group mainly financed its operations by loans/advances from other subsidiaries of Rosedale and bank borrowing. The amounts due to fellow subsidiaries were unsecured, interest free and repayable on demand which balances at 31st December, 2011, 2012 and 2013 and 30th June, 2014 were HK$178.7 million, HK$336.0 million, HK$269.1 million and HK$30.9 million respectively. The bank borrowing was secured by the TKT Hotel, repayable on demand and bearing interest at a floating rate which balances at 31st December, 2011, 2012 and 2013 were HK$405.0 million, HK$435.0 million and HK$630.0 million (included under the liabilities classified as held for sale) respectively. The drawdown of HK$30.0 million during the year ended 31st December, 2012 was utilised for the construction of the TKT Hotel. The bank borrowing was refinanced during the year ended 31st December, 2013, which surplus after the repayment of the expired bank borrowing was mainly retained for working capital purpose. In March 2014, part of the sale proceed from the MS Disposal was utilised to repay the bank borrowing in full while the remaining balances of the sale proceed were retained by the Eagle Spirit Group as working capital.

There were net current liabilities of HK$615.0 million, HK$793.9 million and HK$63.8 million at 31st December, 2011 and 2012 and 30th June, 2014 respectively. At 31st December, 2013, there was net current assets of HK$59.5 million.

Gearing ratio

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the gearing ratio of the Eagle Spirit Group, calculated as a percentage of the Eagle Spirit Group's total liabilities to its total assets, were 97.5%, 96.6%, 93.8% and 16.2% respectively.

Securities and guarantee

Apart from the pledge of the TKT Hotel and certain bank balances in aggregate of HK$633.2 million, HK$825.5 million and HK$815.1 million as securities for the bank borrowing granted to Fortress State as at 31st December, 2011, 2012 and 2013, the Eagle Spirit Group had not made any pledge of or created any security over assets and had not provided any corporate guarantee as at 31st December, 2011, 2012 and 2013 and 30th June, 2014.

Contingent liabilities

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the Eagle Spirit Group did not have any significant contingent liability.

Exchange rate risk

The majority of the Eagle Spirit Group's assets and liabilities, including the TKT Hotel, interest in an associated company and the bank borrowing were denominated in Hong Kong dollars. During the Relevant Periods, the Eagle Spirit Group had not entered into any hedging arrangements.

Credit risk

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the Eagle Spirit Group did not have any significant concentration of credit risk.

Material acquisition and disposal

Apart from the MS Disposal, there was no material acquisition and/or disposal by the Eagle Spirit Group during the Relevant Periods.

Future plan for capital assets

At 30th June, 2014, the Eagle Spirit Group had no future plan for capital assets.

Staff and remuneration policy

At 31st December, 2011, the Eagle Spirit Group did not have any employee. As at 31st December, 2012 and 2013 and 30th June, 2014, it had 155, 151 and 147 employees. Competitive remuneration packages were structured to commensurate with the responsibilities, qualifications, experience and performance of individual employee. The Eagle Spirit Group also provided training programs, provident fund scheme and medical insurance for its employees.

1. ACCOUNTANTS' REPORT ON THE MORE STAR GROUP

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

10th November, 2014

The Directors
ITC Properties Group Limited

Dear Sirs,

We set out below our report on the financial information relating to More Star Limited ("**More Star**") and its subsidiary (hereinafter collectively referred to as the "**More Star Group**") for each of the three years ended 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014 (the "**Relevant Period**") (the "**Financial Information of the More Star Group**") for inclusion in the circular of ITC Properties Group Limited ("**ITCP**") dated 10th November, 2014 in connection with, amongst others, the proposed acquisition of the entire issued share capital of Eagle Spirit Holdings Limited ("**Eagle Spirit**") and the shareholder's loan due by Eagle Spirit (the "**Eagle Spirit Transaction**") (the "**Circular**").

More Star is incorporated with limited liability in the British Virgin Islands (the "**BVI**"). At the date of this report, More Star has interest in the following subsidiary:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Attributable equity interest held by Eagle Spirit: As at 31st December, 2011	2012	2013	As at 30th June, 2014	At the date of this report	Principal activity
Fortress State International Limited ("**Fortress State**") 灝申國際有限公司	Hong Kong	Hong Kong Dollar ("**HK$**") 1	100%	100%	100%	100%	100%	Hotel investment

More Star and Fortress State have adopted 31st December as their financial year end date. No audited financial statements have been prepared for More Star for each of the three years ended 31st December, 2011, 2012 and 2013 as there is no statutory requirement for audited financial statements in the BVI.

The statutory financial statements of Fortress State for each of the three years ended 31st December, 2011, 2012 and 2013 were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and were audited by us.

For the purpose of this report, the directors of More Star have prepared the consolidated financial statements of the More Star Group for the Relevant Period in accordance with HKFRSs issued by the HKICPA (the "**Underlying Financial Statements**"). We have carried out an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountants" as recommended by the HKICPA.

The Financial Information of the More Star Group for the Relevant Period set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made by us to the Underlying Financial Statements for the preparation of the Financial Information of the More Star Group.

The preparation of the Underlying Financial Statements is the responsibility of the directors of the More Star who approved their issue. The directors of ITCP are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial information of the More Star Group set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial information of the More Star Group and to report our opinion to you.

In our opinion, the Financial Information of the More Star Group gives, for the purpose of this report, a true and fair view of the state of affairs of the More Star Group as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 and of the consolidated results and consolidated cash flows of the More Star Group for the Relevant Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the More Star Group for the six months ended 30th June, 2013 together with the notes thereon have been extracted from the More Star Group's unaudited consolidated financial information for the same period (the "**June 2013 Financial Information**") which was prepared by the directors of the More Star solely for the purpose of this report. We conducted our review of the June 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the June 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information of the More Star Group which conform with HKFRSs.

(A) FINANCIAL INFORMATION OF THE MORE STAR GROUP

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31st December,			Six months ended 30th June,	
		2011	**2012**	**2013**	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Property income and license income	6	—	18,000	52,000	24,000	32,000
Fair value change of investment property	11	—	472,765	(15,000)	—	—
Administrative expenses		(183)	(224)	(695)	(476)	(904)
Finance costs	7	—	(5,500)	(16,883)	(8,275)	(18,501)
(Loss) profit before tax		(183)	485,041	19,422	15,249	12,595
Income tax expense	8	—	—	(2,328)	—	(2,079)
(Loss) profit and total comprehensive (expense) income for the year/period	9	(183)	485,041	17,094	15,249	10,516

Consolidated Statements of Financial Position

		As at 31st December,			As at 30th June,
		2011	**2012**	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Investment property	*11*	630,090	1,300,000	1,285,000	1,285,000
Current assets					
Deposits and prepayments		83	29	52	48
Amount due from a related company	*12*	—	—	25,571	—
Pledged bank deposits	*14*	3,066	3,263	5,000	—
Bank balances	*14*	—	—	22,114	6,422
		3,149	3,292	52,737	6,470
Current liabilities					
Other payables and accruals	*15*	1,165	35,359	5,944	11,557
Amount due to immediate holding company	*12*	227,912	348,716	198,168	—
Amount due to a related company	*12*	—	14	—	—
Bank borrowing	*16*	405,000	435,000	630,000	—
		634,077	819,089	834,112	11,557
Net current liabilities		(630,928)	(815,797)	(781,375)	(5,087)
Total assets less current liabilities		(838)	484,203	503,625	1,279,913
Non-current liabilities					
Deferred tax liabilities	*17*	—	—	2,328	4,407
Loans from related companies	*13*	—	—	—	747,693
Rental Deposit	*18*	—	—	—	16,000
		—	—	2,328	768,100
		(838)	484,203	501,297	511,813
Capital and reserves					
Share capital	*19*	—	—	—	—
Reserves		(838)	484,203	501,297	511,813
		(838)	484,203	501,297	511,813

Consolidated Statements of Changes in Equity

	Share capital	Accumulated (losses) profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2011	—	(655)	(655)
Loss and total comprehensive expense for the year	—	(183)	(183)
At 31st December, 2011	—	(838)	(838)
Profit and total comprehensive income for the year	—	485,041	485,041
At 31st December, 2012	—	484,203	484,203
Issues of shares *(note 19)*	—	—	—
Profit and total comprehensive income for the year	—	17,094	17,094
At 31st December, 2013	—	501,297	501,297
Profit and total comprehensive income for the period	—	10,516	10,516
At 30th June, 2014	—	511,813	511,813
Unaudited			
At 1st January, 2013	—	484,203	484,203
Profit and total comprehensive income for the period	—	15,249	15,249
At 30th June, 2013	—	499,452	499,452

Consolidated Statements of Cash Flows

		Year ended 31st December,			Six months ended 30th June,	
		2011	**2012**	**2013**	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES						
(Loss) profit before taxation		(183)	485,041	19,422	15,249	12,595
Adjustments for:						
Fair value change of investment property		—	(472,765)	15,000	—	—
Finance costs		—	5,500	16,883	8,275	18,501
Operating cash flows before movements in working capital		(183)	17,776	51,305	23,524	31,096
Decrease (increase) in deposit and prepayment		—	54	(23)	(23)	4
(Increase) decrease in amount due from a related company	*12*	—	—	(16,000)	(16,604)	16,000
Receipt of rental deposit	*18*	—	—	—	—	16,000
Increase (decrease) in other payables and accruals		247	28	(168)	(364)	5,660
NET CASH FROM OPERATING ACTIVITIES		64	17,858	35,114	6,533	68,760
INVESTING ACTIVITIES						
Payments for additions to investment property		(416,300)	(157,103)	(29,127)	(29,127)	—
Placement of pledged bank deposits		(3,054)	(197)	(1,737)	(1,737)	—
Withdrawal of pledged bank deposit		—	—	—	—	5,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(419,354)	(157,300)	(30,864)	(30,864)	5,000

	Year ended 31st December,			Six months ended 30th June,	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
FINANCING ACTIVITIES					
New borrowing raised	405,000	435,000	630,000	630,000	—
Advance from immediate holding company	136,027	208,341	200	—	—
Repayment to immediate holding company	(75,833)	(87,537)	(150,748)	(150,548)	(198,168)
Repayment of bank borrowing	(42,500)	(405,000)	(435,000)	(435,000)	(630,000)
Interest paid	(3,404)	(11,376)	(17,003)	(8,301)	(3,380)
Advance from a related company	—	18,873	52,000	—	772,696
Repayment to related companies	—	(18,859)	(61,585)	(14)	(30,600)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	419,290	139,442	17,864	36,137	(89,452)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	—	22,114	11,806	(15,692)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	—	—	—	—	22,114
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	—	—	22,114	11,806	6,422

Notes to Financial Information of the More Star Group

1. GENERAL

More Star was incorporated with limited liability in the BVI on 10th September, 2007. During the years ended 31st December, 2011, 2012 and 2013 and the period from 1st January, 2014 to 14th March, 2014, its ultimate holding company was Rosedale Hotel Holdings Limited ("**Rosedale Hotel**"), a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited, while its immediate holding company was Eagle Spirit Holdings Limited ("**Eagle Spirit**"), a limited company incorporated in the BVI. The address of the registered office of More Star is OMC Chambers P.O. Box 3152, Road Town, Tortola, BVI.

More Star acts as an investment holding company and its subsidiary, Fortress State, is principally engaged in the business of holding a hotel property known as "Rosedale Hotel Kowloon", which is located at No. 86 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong (the "**Property**").

On 5th November, 2013, Eagle Spirit and an independent third party Shaw Holdings Inc. ("**Shaw**" or the "**Purchaser**") entered into a conditional disposal agreement (the "**Disposal**") pursuant to which Eagle Spirit agreed to (a) dispose to the Purchaser of 60% of the entire equity interest in, and 60% of the shareholder's loan due from, More Star; (b) cause Rosedale Hotel Kowloon Limited ("**Rosedale Kowloon**", a wholly-owned subsidiary of Eagle Spirit) to enter into a lease agreement, as the lessee, with Fortress State to lease the Property for its hotel operation for a term of six years (the "**Master Lease**"); (c) grant to the Purchaser a put option relating to the acquisition by Eagle Spirit from the Purchaser of all the 60% equity interest in, and corresponding shareholder's loan due from, More Star (the "**Purchaser Put Option**") which is exercisable only in the event of a Deadlock (as defined below); and (d) grant to the Purchaser a call option relating to the disposal by Eagle Spirit to the Purchaser of the remaining 40% equity interest in, and corresponding shareholder's loan due from, More Star (the "**Purchaser Call Option**") which is exercisable only in the event of a Deadlock, for a total cash consideration of HK$762,893,000.

The Purchaser shall be entitled to exercise the Purchaser Put Option or the Purchaser Call Option if a proposal is made by the Purchaser or a director nominated by it in relation to: (a) the leasing or licensing of the Property as a whole to a party other than Rosedale Kowloon; or (b) the appointment of any party other than Rosedale Kowloon as operator or manager of the Property, on or after the expiration or earlier termination of the Master Lease which was entered into between Fortress State and Rosedale Kowloon upon the completion of the Disposal and such proposal is not approved by Eagle Spirit (the occurrence of a "**Deadlock**").

Following the completion of the Disposal on 14th March, 2014, Eagle Spirit and Rosedale Hotel ceased to be More Star's immediate and ultimate holding company, respectively. Shaw and Eagle Spirit have joint control over More Star from 14th March, 2014 and hold 60% and 40% of the equity interest in More Star, respectively.

The Financial Information of the More Star Group is presented in HK$, which is also the functional currency of More Star.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION OF THE MORE STAR GROUP

In preparing the Financial Information of the More Star Group, the directors of More Star have given careful consideration to the future liquidity of the More Star Group, in view of the fact that the More Star Group's current liabilities exceeded its current assets by HK$630,928,000, HK$815,797,000, HK$781,375,000 and HK$5,087,000 as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 respectively, and its net liabilities amounted to HK$838,000 as at 31st December, 2011. The directors of More Star are satisfied that the More Star Group will have sufficient funds to meet in full its financial obligations as they fall due for the foreseeable future, after taking into consideration that Rosedale Hotel has agreed to provide adequate funds to the More Star Group up to 14th March, 2014, the completion of the Disposal. Shaw and Rosedale Hotel have agreed to provide adequate funds to the More Star Group to meet in full its financial obligations from 14th March, 2014 up to the date of the completion the Eagle Spirit Transaction. Moreover, upon completion of the Eagle Spirit Transaction, Shaw and ITCP will provide financial support to the More Star Group to meet in full its financial obligations as they fall due in the foreseeable future.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information of the More Star Group for the Relevant Period, the More Star Group has consistently adopted Hong Kong Accounting Standards ("**HKAS**"), HKFRSs, amendments and interpretations, which are effective for annual periods beginning on 1st January, 2014.

The More Star Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1st July, 2014
2 Effective for annual periods beginning on or after 1st January, 2018
3 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions
4 Effective for annual periods beginning on or after 1st January, 2016
5 Effective for annual periods beginning on or after 1st January, 2017

The directors of More Star anticipate that the application of the new and revised HKFRSs will have no material impact on the Financial Information of the More Star Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information of the More Star Group has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA.

The Financial Information of the More Star Group has been prepared on the historical cost basis except for investment property which is measured at fair value, as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the More Star Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information of the More Star Group incorporates the financial statements of More Star and the entity controlled by More Star (its subsidiary). Control is achieved where More Star:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when More Star obtains control over the subsidiary and ceases when More Star loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date More Star gains control until the date when More Star ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies in line with the More Star Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the More Star Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property income and license income are recognised when services are rendered.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gain or loss arising from change in the fair value of investment property is included in profit or loss for the period in which it arises.

Construction costs incurred for investment property under construction are capitalised as part of the carrying amount of the investment property under construction.

Investment property under construction whose fair value is not reliably measurable is measured at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier).

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The More Star Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from a related company, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the Relevant Periods. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the More Star Group after deducting all of its liabilities. Equity instruments issued by More Star are recognised at the proceeds received, net of direct issue cost.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities including other payables, amount due to former immediate holding company, amount due to amount due to a related company, bank borrowing and loans from related companies are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The More Star Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The More Star Group derecognises financial liability when, and only when, the More Star Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The More Star Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the Financial Information of the More Star Group and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the More Star Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

In the application of the More Star Group's accounting policies, which are described in note 4, the directors of More Star are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The following is the critical judgment, apart from those involving estimations, that the directors of More Star have made in the process of applying the More Star Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information of the More Star Group.

Deferred taxation on investment property

For the purposes of measuring deferred tax liability or deferred tax asset arising from investment property that are measured using the fair value model, the directors of More Star have reviewed the More Star Group's investment property and concluded that the More Star Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in measuring the More Star Group's deferred taxation on investment property, the directors of More Star have determined that the presumption that the carrying amount of investment property is recovered entirely through sale is not rebutted. As a result, the More Star Group has not recognised any deferred taxes on changes in fair value of investment property as the More Star Group is not subject to any income taxes on disposal of its investment property.

Fair value of investment property

Investment property in the consolidated statements of financial position at 31st December, 2012 and 2013 and 30th June, 2014 is carried at their fair values of HK$1,300,000,000, HK$1,285,000,000 and HK$1,285,000,000 respectively. The fair values were based on valuation on the property conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the More Star Group's investment property and corresponding adjustments to the amount of gain or loss reported in the consolidated statements of profit or loss and other comprehensive income.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents income charged to a related company for the use of investment property during the Relevant Period and is analysed as below.

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
License income charged to a related company for the use of investment property	—	—	52,000	24,000	32,000
Property income charged to a related company for the use of investment property	—	18,000	—	—	—
	—	18,000	52,000	24,000	32,000

The directors of More Star, being the chief operating decision makers, assess the performance and allocate the resources of the More Star Group as a whole because the More Star Group is solely engaged in hotel investment.

Geographical information

The operation and assets of the More Star Group are located in Hong Kong.

Information about major customers

Revenue from property income and license income are entirely contributed by a related company, details of which are disclosed in note 25.

7. FINANCE COSTS

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on bank borrowing wholly repayable within five years	4,217	10,727	16,883	8,275	3,333
Loans from related companies	—	—	—	—	15,168
Less: amounts capitalised to hotel property under construction	(4,217)	(5,227)	—	—	—
	—	5,500	16,883	8,275	18,501

8. INCOME TAX EXPENSE

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Deferred tax charge *(note 17)*	—	—	2,328	—	2,079

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Period. No Hong Kong Profits Tax is provided for the year ended 31st December, 2011 and 2012 as the More Star Group did not have assessable profit for those years.

The More Star Group has available tax losses brought forward from prior years to offset against the assessable profits generated during the year ended 31st December, 2013 and the six months ended 30th June, 2013 and 2014.

The taxation for the year/period can be reconciled to the (loss) profit per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit before tax	(183)	485,041	19,422	15,249	12,595
Tax at the domestic income tax rate of 16.5%	(30)	80,032	3,205	2,516	2,078
Tax effect of income not taxable for tax purpose	—	(78,006)	—	—	—
Tax effect of expense not deductible for tax purpose	30	9	2,534	—	1
Utilisation of tax losses previously not recognised	—	(2,035)	(3,411)	(2,516)	—
Tax charge for the year/period	—	—	2,328	—	2,079

Details of deferred taxation are set out in note 17.

9. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended 31st December,			Six months ended 30th June,	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit for the year/period has been arrived at after charging:					
Auditor's remuneration	150	150	250	50	15
Directors' emoluments	—	—	—	—	—

10. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. INVESTMENT PROPERTY

	Completed investment property HK$'000	Investment property under construction HK$'000	Total HK$'000
At 1st January, 2011, at cost	—	232,912	232,912
Addition	—	397,178	397,178
At 31st December, 2011, at cost	—	630,090	630,090
Additions	—	197,145	197,145
Increase in fair value recognised in profit or loss (unrealised)	—	472,765	472,765
Transfer upon completion	1,300,000	(1,300,000)	—
At 31st December, 2012, at fair value	1,300,000	—	1,300,000
Decrease in fair value recognised in profit or loss (unrealised)	(15,000)	—	(15,000)
At 31st December, 2013 and 30th June, 2014 at fair value	1,285,000	—	1,285,000

The investment property under construction was measured at cost at 1st January, 2011 and 31st December, 2011 since the fair value of the investment property under construction was not reliably determinable due to the construction of the hotel property was not yet completed, and comparable market transactions for similar hotel properties and other information were unavailable to determine the fair value. The management of the More Star Group expected the fair value of the hotel property to be reliably determinable when the construction is completed.

During the year ended 31st December, 2012, the construction of the hotel property was completed. Such hotel property, which is held to earn rental and/or for capital appreciation purpose, has been reclassified from investment property under construction to completed investment property. The gain on remeasurement of the hotel property to its fair value as at 31st December, 2012, amounting to HK$472,765,000, has been recognised in the consolidated statements of profit or loss and other comprehensive income for the year ended 31st December, 2012.

The fair values of investment property at 31st December, 2012 and 2013 and 30th June, 2014 have been arrived at on the basis of a valuation carried out on those dates by Asset Appraisal Limited ("**Asset Appraisal**"), an independent qualified professional valuer not connected with the More Star Group. Asset Appraisal is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation of investment property at 31st December, 2012 was arrived at using the comparison method based on market observable transactions of similar properties in other locations and adjusted to reflect the conditions and location of the subject property. In view of the fact that the investment property was leased out under the Master Lease upon completion of the Disposal and given the terms of the Master Lease were set out in the Disposal agreement dated 5th November, 2013, the management of the More Star Group considered that the income capitalisation method should be used as an additional valuation technique to the comparison method to determine the fair value of the investment property as at 31st December, 2013 and 30th June, 2014. As such, the valuation of investment property at 31st December, 2013 and 30th June, 2014 was arrived at using a combination of the comparison method and income capitalisation method by capitalising the revenue derived from the Master Lease with due provision for the reversionary income potential. Both methods yielded similar fair values for the investment property.

The hotel property is situated in Tai Kok Tsui, Kowloon, Hong Kong under a medium-term lease.

The More Star Group had held and intends to continue to hold the interest in the hotel to earn rentals and/or for capital appreciation, rather than to operate the hotel to earn revenue from its operations. Accordingly, the property interest in the hotel under construction and the completed hotel is classified and accounted for as investment property under construction and completed investment property, respectively.

In estimating the fair value of the property, the highest and best use of the property is its current use.

The following table gives information about how the fair value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurement is categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

Fair value hierarchy	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
At 31st December, 2012			
Level 3	Comparison method	Price per square feet, using market comparables and taking into account of location and other individual factors such as road frontage, size of property, of HK$11,725 per square feet	A slight increase in the price will increase the fair value significantly
	The key input of comparison method is price per square feet		
At 31st December, 2013			
Level 3	Comparison method and income capitalisation method	Price per square feet, using market comparables and taking into account of location and other individual factors such as road frontage, size of property, of HK$11,590 per square feet	A slight increase in the price will increase the fair value significantly
	The key input of comparison method is price per square feet	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5.54% per annum	A slight increase in the capitalisation rate will decrease the fair value significantly
	The key inputs of income capitalisation method: (1) capitalisation rate (2) monthly reversionary rent (3) reversionary rate; and (4) reversionary rent	Monthly rent of HK$48 per square feet is based on the base annual rental as agreed by tenant and landlord at arm's length basis in the Master Lease The reversionary rate and reversionary rent were 5.54% and HK$48 per square feet respectively	A slight increase in the monthly rent will increase the fair value significantly A slight increase in the reversionary rent and a slight decrease in the reversionary rate, each in isolation, will increase the fair value significantly
At 30th June, 2014			
Level 3	Comparison method and income capitalisation method	Price per square feet, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property, of HK$11,590 per square feet	A slight increase in the price will increase the fair value significantly
	The key input of comparison method is price per square feet	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5.54% per annum	A slight increase in the capitalisation rate will decrease the fair value significantly
	The key inputs of income capitalisation method: (1) capitalisation rate (2) monthly reversionary rent (3) reversionary rate; and (4) reversionary rent	Monthly rent of HK$48 per square feet is based on the base annual rental as agreed by tenant and landlord at arm's length basis in the Master Lease The reversionary rate and reversionary rent were 5.57% and HK$48 per square feet respectively	A slight increase in the monthly rent will increase the fair value significantly A slight increase in the reversionary rent and a slight decrease in the reversionary rate, each in isolation, will increase the fair value significantly

Fair value measurements and valuation processes

In estimating the fair value of the More Star Group's investment property, the More Star Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the More Star Group engages third party qualified valuers to perform the valuation of the More Star Group's investment property. At the end of each reporting period, the management of the More Star Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The More Star Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the More Star Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of More Star.

Information about the valuation techniques and inputs used in determining the fair value of the More Star Group's investment property is disclosed above.

12. AMOUNT DUE FROM (TO) IMMEDIATE HOLDING COMPANY/A RELATED COMPANY

Included in the amount due from a related company as at 31st December, 2013 are trade receivables of HK$16,000,000 and its aged analysis based on the invoice date at the end of the Relevant Period is as follows:

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	—	—	5,333	—
31–60 days	—	—	5,333	—
61–90 days	—	—	5,334	—
	—	—	16,000	—

The More Star Group allows an average credit period of 30 days to its related party trade customer. Aged analysis of trade receivables which are past due but not impaired is as follows:

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31–60 days	—	—	5,333	—
61–90 days	—	—	5,334	—
	—	—	10,667	—

The entire amount due from a related company relates to Rosedale Kowloon, a subsidiary of Eagle Spirit and a fellow subsidiary of More Star before the Disposal. Rosedale Kowloon is engaged in operation of hotels, including the hotel property held by the More Star Group. The directors of More Star consider that Rosedale Kowloon has good credit quality by taking into account of its credit history. As such, no impairment is considered necessary in respect of this balance as there has not been a significant change in credit risk and the balance is fully recoverable.

The remaining balance of amount due from Rosedale Kowloon is non-trade nature.

The amount due to Eagle Spirit, the immediate holding company of More Star during the Relevant Period until 14th March, 2014 which after the Disposal became a shareholder with joint control over More Star, are unsecured, interest-free and repayable on demand.

13. LOANS FROM RELATED COMPANIES

	Relationship	As at 31st December, 2011	2012	2013	As at 30th June, 2014
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loans from related companies:					
Shaw Movie City (HK) Limited ("**Shaw Movie**")	*(note i)*	—	—	—	448,616
Rosedale Restaurant and Catering Limited ("**RCL**")	*(note ii)*	—	—	—	299,077
		—	—	—	747,693

The amounts were unsecured, bearing interest at Hong Kong Dollar Prime Lending Rate plus 2% for which effective interest rate is 7%, and repayable after 30th June, 2015.

Notes:

(i) A subsidiary of Shaw. Shaw has joint control with Eagle Spirit over More Star.

(ii) A subsidiary of Eagle Spirit.

14. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank balances carry interest at prevailing market interest rates of 0.01% per annum at 31st December, 2011, 2012 and 2013 and the six months ended 30th June, 2014. The pledged bank deposits carry prevailing market interest rate of 0.01% per annum at 31st December, 2011, 2012 and 2013, respectively and were pledged for bank borrowing of the More Star Group.

15. OTHER PAYABLES AND ACCRUALS

Included in the amounts as at 31st December, 2012 and 2013 and 31st March, 2014 were construction payables being retention monies held, of approximately HK$34,814,000, HK$5,687,000 and HK$5,687,000 respectively. There was no such balance noted as at 31st December, 2011. The amounts were unsecured, interest-free and repayable upon satisfaction of the construction work within the retention period. In addition, included in the amount as at 30th June, 2014 is an amount of HK$5,333,000 representing rental receipt in advance for the hotel property in connection with the Master Lease.

16. BANK BORROWING

	As at 31st December, 2011	2012	2013	As at 30th June, 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loan	405,000	435,000	630,000	—

	As at 31st December, 2011	2012	2013	As at 30th June, 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount repayable*:				
Within one year	405,000	435,000	34,000	—
More than one year but not exceeding two years	—	—	24,000	—
More than two years but not exceeding five years	—	—	572,000	—
	405,000	435,000	630,000	—

* *The amounts due were based on scheduled repayment dates set out in the loan agreement.*

	As at 31st December, 2011	2012	2013	As at 30th June, 2014
Floating rate borrowing — Hong Kong Inter-Bank Offered Rate ("**HIBOR**")	HIBOR + 1.75%	HIBOR + 2.75%	HIBOR + 2.50%	—
Average effective borrowing rate	1.76%	2.90%	2.70%	—

The bank loan was denominated in HK$, secured and with a repayable-on-demand clause.

At the end of each reporting period, the More Star Group has the following undrawn borrowing facilities:

	As at 31st December, 2011	2012	2013	As at 30th June, 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Floating rate — expiring beyond one year	—	—	20,000	—

17. DEFERRED TAXATION

The following are major deferred tax liabilities (assets) recognised and movements thereon during the Relevant Period.

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2011 and 31st December, 2011	—	—	—
Charge (credit) for the year	2,870	(2,870)	—
At 31st December, 2012	2,870	(2,870)	—
Charge (credit) for the year	2,870	(542)	2,328
At 31st December, 2013	5,740	(3,412)	2,328
Charge for the period	1,435	644	2,079
At 30th June, 2014	7,175	(2,768)	4,407

The More Star Group has estimated unused tax losses of HK$33,002,000, HK$38,066,000, HK$20,683,000 and HK$16,781,000 as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 respectively, available for offset against future taxable profits. A deferred tax asset has been recognised in respect of HK$17,396,000, HK$20,683,000 and HK$16,781,000 respectively of such losses as at 31st December, 2012 and 2013 and 30th June, 2014. No deferred tax assets have been recognised in respect of the remaining unused losses of HK$33,002,000 and HK$20,670,000 respectively as at 31st December, 2011 and 2012, due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

18. RENTAL DEPOSIT

The amount represents a three-month rental deposit for the Master Lease of the hotel property received from a related company, Rosedale Kowloon.

19. SHARE CAPITAL

More Star	*US$*	*HK$*
Authorised:		
50,000 ordinary shares of US$1 each at 1st January, 2011, 31st December, 2011, 2012 and 2013 and 30th June, 2014	50,000	
Issued and fully paid:		
1 ordinary share of US$1 each at 1st January, 2011, 31st December, 2011 and 2012	1	8
Issue of shares — 9 ordinary shares of US$1 each	9	70
As at 31st December, 2013 and 30th June, 2014	10	78

20. SHARE OPTION SCHEME

The share option scheme of Rosedale Hotel (the "**Rosedale Hotel 2002 Scheme**") adopted on 3rd May, 2002 (as amended on 27th May, 2005) expired on 3rd May, 2012. No share options were granted under the Rosedale Hotel 2002 Scheme during the years ended 31st December, 2011 and 2012, nor share options outstanding under the Rosedale Hotel 2002 Scheme at 31st December, 2011 and 2012.

Following the expiry of the Rosedale Hotel 2002 Scheme, a new share option scheme of Rosedale Hotel (the "**Rosedale Hotel 2013 Scheme**") was adopted on 30th May, 2013 and became effective on 3rd June, 2013. The purpose of the Rosedale Hotel 2013 Scheme is to enable Rosedale Hotel to grant options to subscribe for shares of Rosedale Hotel (the "**Options**") to any eligible employee (including executive directors), any non-executive director, any supplier of goods or services and any customer of Rosedale Hotel or any entity in which Rosedale Hotel holds an equity interest (the "**Invested Entity**"), any consultant, adviser, manager, officer and entity that provides research, development or other technological support to Rosedale Hotel and the Invested Entity and any shareholder or any member of Rosedale Hotel who has contributed to the business of Rosedale Hotel or any Invested Entity or any holder of any securities issued by any member of Rosedale Hotel or any Invested Entity, as incentives or rewards for their contributions or potential contribution to Rosedale Hotel.

The total number of shares in respect of which Options may be granted under the Rosedale Hotel 2013 Scheme, when aggregated with any shares subject to any other schemes, is not permitted to exceed 10% of the shares of Rosedale Hotel in issue on the date of adoption of the Rosedale Hotel 2013 Scheme (the "**Scheme Mandate Limit**") unless Rosedale Hotel obtains an approval from its shareholders in general meeting to refresh the Scheme Mandate Limit such that the number of shares of Rosedale Hotel in respect of which Options may be granted under the Rosedale Hotel 2013 Scheme and any other share option schemes of Rosedale Hotel shall not exceed 10% of the shares of Rosedale Hotel in issue as at the date of approval. Nevertheless, the maximum number of shares of Rosedale Hotel which may be issued upon exercise of all outstanding Options granted and not yet exercised under the Rosedale Hotel 2013 Scheme and any other share option schemes of Rosedale Hotel shall not exceed 30% of the issued shares of Rosedale Hotel from time to time. The Rosedale Hotel 2013 Scheme shall be valid and effective for a period of 10 years commencing on 3rd June, 2013 subject to earlier termination by Rosedale Hotel in general meeting or by its board of directors.

The acceptance of an Option granted under the Rosedale Hotel 2013 Scheme must be taken up within 21 days from the date of grant and to be accompanied by payment of the consideration of HK$1.00. The Options may be exercised in accordance with the terms of the Rosedale Hotel 2013 Scheme at any time during a period as the board of directors of Rosedale Hotel may in its absolute discretion determine which shall not be more than 10 years from the date of grant and subject to the provisions of early termination thereof and the board of directors of Rosedale Hotel may provide restrictions on the exercise of an Option.

No Options under the Rosedale Hotel 2013 Scheme were granted, exercised, cancelled or lapsed during the year ended 31st December, 2013 and the six months ended 30th June, 2014, nor outstanding under the Rosedale Hotel 2013 Scheme at 31st December, 2013 and 30th June, 2014.

21. CAPITAL RISK MANAGEMENT

The directors of More Star manage its capital to ensure that the More Star Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The More Star Group's overall strategy remains unchanged for the Relevant Period.

The capital structure of the More Star Group consists of net debt, which includes amounts due to immediate holding company and a related company, loans from related companies and bank borrowing disclosed in notes 12, 13 and 16 (net of cash and cash equivalents), respectively, and issued share capital.

The directors of More Star review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. More Star will balance its overall capital structure through issue of new debt or redemption of existing debt.

22. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31st December,			As at 30th June,
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	3,066	3,263	52,685	6,423
Financial liabilities				
Amortised cost	633,917	818,914	833,901	769,380

(b) Financial risk management objectives and policies

The More Star Group's major financial instruments include amounts due from a related company, pledged bank deposits, bank balances, other payables, amount due to immediate holding company, amount due to a related company, bank borrowing and loans from related companies. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

As at 31st December, 2011, 2012 and 2013, the More Star Group is exposed to cash flow interest rate risk in relation to bank borrowing carrying interest at HIBOR plus a margin (see note 16 for details of this borrowing). As at 30th June, 2014, the More Star Group is exposed to cash flow interest rate risk in relation to variable-rate loans from related companies carrying interest at prime rate plus a margin. It is the More Star Group's policy to keep these loans at floating rate of interests so as to minimise the cash flow interest rate risk.

The More Star Group is also exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances which carried interest at prevailing market interest rate. The directors of More Star consider the More Star Group's exposure is insignificant as interest bearing pledged bank deposits and bank balances are within short maturity period.

The More Star Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. As at 31st December, 2011, 2012 and 2013, the More Star Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the More Star Group's Hong Kong dollar denominated borrowing and such bank borrowing is fully repaid during the six months ended 30th June, 2014. As at 30th June, 2014, the More Star Group's cash flow interest rate risk is concentrated on the fluctuation of prime rate in relation to the loans from related companies.

The More Star Group currently do not have any interest rate hedging policy in relation to cash flow interest rate risks. The directors of More Star monitor the More Star Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 50 basis points increase and decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The following tables detail the change in the More Star Group's post-tax profit (loss) if the interest rates had been 50 basis points higher/lower with all other variables being held constant, taking into account the increase/decrease in finance costs capitalised for the year ended 31st December, 2011 for an amount of approximately HK$2,010,000. The More Star Group's sensitivity to interest rates are mainly attributable to the exposure in variable rate debt instruments.

	Year ended 31st December,			**Six months ended 30th June,**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase in loss/decrease in profit before tax	—	(2,159)	(3,014)	(3,705)

Credit risk

The More Star Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the end of the Relevant Period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

The credit risk for pledged bank deposits and bank balances is considered to be minimal as such amounts are placed with banks with good reputation.

The More Star Group has concentration of credit risk on its amount due from a related company. The related company is engaged in hotel operation of the hotel property held by the More Star Group. The directors of More Star consider that the related company has good credit quality by taking into account of its credit history and the amount due from a related company outstanding as at 31st December, 2013 was fully repaid during the six months ended 30th June, 2014.

Other than the above, the More Star Group does not have other significant concentration of credit risk at the end of the Relevant Period.

Liquidity risk

In preparing the Financial Information of the More Star Group, the directors of More Star have given careful consideration to the future liquidity and going concern of the More Star Group in light of the fact that the More Star Group's current liabilities exceeded its current asset by HK$630,928,000, HK$815,797,000, HK$781,375,000 and HK$5,087,000 as at 31st December, 2011, 2012 and 2013 and 30th June, 2014 respectively, and its net liabilities amounted to HK$838,000 as at 31st December, 2011. The directors of More Star are satisfied that the More Star Group will have sufficient funds to meet in full financial obligations as they fall due for the foreseeable future, after taking into consideration that Shaw and Rosedale Hotel have agreed to provide adequate funds for the More Star Group to meet in full its financial obligations up to the date of the completion the Eagle Spirit Transaction. Moreover, upon completion of the Eagle Spirit Transaction, Shaw and ITCP have agreed to provide financial support to the More Star Group to meet in full its financial obligations as they fall due in the foreseeable future.

The More Star Group relies on bank borrowing and loans from related companies as a significant source of liquidity. In the management of liquidity risk, the More Star Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the More Star Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

The following tables detail the More Star Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the More Star Group can be required to pay. Specifically, bank borrowing with a repayable on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 31st December, 2011
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2011						
Other payables	—	1,005	—	—	1,005	1,005
Amount due to immediate holding company	—	227,912	—	—	227,912	227,912
Bank borrowing	2.00	405,000	—	—	405,000	405,000
		633,917	—	—	633,917	633,917

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 31st December, 2012
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2012						
Other payables	—	35,184	—	—	35,184	35,184
Amount due to immediate holding company	—	348,716	—	—	348,716	348,716
Amount due to a related company	—	14	—	—	14	14
Bank borrowing	2.90	435,000	—	—	435,000	435,000
		818,914	—	—	818,914	818,914

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 31st December, 2013
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2013						
Other payables	—	5,733	—	—	5,733	5,733
Amount due to immediate holding company	—	198,168	—	—	198,168	198,168
Bank borrowing	2.70	630,000	—	—	630,000	630,000
		833,901	—	—	833,901	833,901

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying value at 30th June, 2014
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30th June, 2014						
Other payables	—	5,687	—	—	5,687	5,687
Loans from related companies	7.00	160,006	171,207	588,942	920,155	747,693
Amount due to related companies	—	16,000	—	—	16,000	16,000
		181,693	171,207	588,942	941,842	769,380

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowing with a repayment on demand clause was included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31st December, 2011, 2012 and 2013 the aggregate principal amounts of this bank borrowing amounted to HK$405,000,000, HK$435,000,000 and HK$630,000,000 respectively. Such bank borrowing was fully repaid during the six months ended 30th June, 2014. Taking into account the More Star Group's financial position, the directors of More Star did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors of More Star believed that such bank borrowing would be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates were set out as follows:

	Interest rate	Less than 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying amount at end of the reporting period
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31st December, 2011						
Bank borrowing	2.00	408,713	—	—	408,713	405,000
31st December, 2012						
Bank borrowing	2.90	435,051	—	—	435,051	435,000
31st December, 2013						
Bank borrowing	2.70	34,263	25,032	639,744	699,039	630,000
30th June, 2014						
Bank borrowing	—	—	—	—	—	—

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of More Star consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information of the More Star Group approximate their fair values.

23. PLEDGE OF ASSETS

At the end of each reporting period, the More Star Group has pledged the following assets for its bank borrowing:

	As at 31st December, 2011	2012	2013	As at 30th June, 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment property	630,090	1,300,000	1,285,000	—
Pledged bank deposits	3,066	3,263	5,000	—
	633,156	1,303,263	1,290,000	—

The assets pledged were fully released on 14th March, 2014.

A corporate guarantee was issued by Rosedale Hotel to a bank for the bank loan of the More Star Group during the Relevant Period.

24. CAPITAL COMMITMENTS

	As at 31st December, 2011	2012	2013	As at 30th June, 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in respect of the development of hotel property under construction	31,752	—	—	—

25. RELATED PARTY DISCLOSURES

(a) Details of balances with related parties at the end of the reporting period and significant transactions entered into during the year are as follows:

	Year ended 31st December, 2011	2012	2013	Six months ended 30th June, 2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
License income charged to a related company for use of investment property	—	—	52,000	24,000	32,000
Property income charged to a related company for use of investment property	—	18,000	—	—	—
Interest expenses charged by related companies	—	—	—	—	15,168
Project consultancy fee charged by a fellow subsidiary	(2,000)	(500)	—	—	—
Secondment fee charged by a fellow subsidiary	(2,256)	(2,291)	—	—	—

During the year ended 31st December, 2012, the More Star Group charged Rosedale Kowloon, a fellow subsidiary before the Disposal (as referred to in note 1), HK$18,000,000 for the use of the hotel property to carry out its management and other activities.

The More Star Group charged a license fee to Rosedale Kowloon for the use of the property amounting to HK$52,000,000, HK$24,000,000 and HK$32,000,000 respectively for the year ended 31st December, 2013 and the six months ended 30th June, 2013 and 2014. Upon the completion of the Disposal, Rosedale Kowloon has entered into the Master Lease with Fortress State and the license fee payable by Rosedale Kowloon comprises monthly base rent and turnover rent.

During the six months ended 30th June, 2014, interest expenses to Shaw Movie and RCL of HK$9,101,000 and HK$6,067,000 were incurred in respect of the loans from these related companies.

Charges for project consultancy work by a fellow subsidiary before the Disposal, of HK$2,000,000 and HK$500,000 and secondment fee charged by a fellow subsidiary before the Disposal, of HK$2,256,000 and HK$2,291,000, for property construction activities have been capitalised to hotel property under construction during the years ended 31st December, 2011 and 2012 respectively.

Details of balances with related parties are set out in the consolidated statements of financial position and in notes 12 and 13.

(b) Compensation of key management personnel

No remuneration was paid to the directors and other members of key management of More Star by the More Star Group for the Relevant Period.

26. MAJOR NON-CASH TRANSACTIONS

On 14th March, 2014, More Star's shareholder's loan due to Eagle Spirit was assigned to RCL and Shaw Movie in the respective amounts of HK$305,250,000 and HK$457,875,000.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by More Star or any of the companies of the More Star Group subsequent to 30th June, 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE MORE STAR GROUP

Set out below is the management discussion and analysis of the More Star Group for the three years ended 31st December, 2011, 2012 and 2013 respectively and the six months ended 30th June, 2014 (the "**Relevant Periods**").

Business review

The principal asset of the More Star Group was the TKT Hotel, which construction was completed in December 2011. The TKT Hotel has been operated by another subsidiary of Rosedale as a "Rosedale" branded 4-star rated hotel with 435 guestrooms and restaurants.

Financial results

The revenue representing solely the property income and licence income derived from the TKT Hotel for the years ended 31st December, 2012 and 2013 of HK$18.0 million and HK$52.0 million respectively while that for the six months ended 30th June, 2014 was HK$32.0 million.

Since the TKT Hotel was accounted for as an investment property, there was increase and decrease in its fair value of HK$472.8 million and HK$15.0 million recognised as profit and loss for the years ended 31st December, 2012 and 2013. In addition, finance costs on bank loan for the years ended 31st December, 2012 and 2013 were HK$5.5 million and HK$16.9 million. As a result, the profits for the years ended 31st December, 2012 and 2013 were HK$485.0 million and HK$19.4 million respectively. For the six months ended 30th June, 2014, finance cost amounted to HK$18.5 million and there was no change in fair value of the TKT Hotel, the profit for this period was HK$10.5 million.

Liquidity and capital resources

Financial position

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the More Star Group had investment property of HK$630.1 million (which was under construction), HK$1,300.0 million, HK$1,285.0 million and HK$1,285.0 million. The investment property was stated at fair value.

The More Star Group mainly financed its operations by loans from its shareholder(s) and bank borrowing. Before the MS Disposal taken place on 14th March, 2014, the loans from the immediate holding company were unsecured, interest free and repayable on demand which balances at 31st December, 2011, 2012 and 2013 were HK$227.9 million, HK$348.7 million and HK$198.2 million respectively. At 31st March, 2014, the loans from shareholders of HK$747.7 million were unsecured and repayable after 30th June, 2015 which carry interest at a floating rate. In March 2014, the More Star Group received additional loan from its shareholders which was utilised to repay the bank borrowing in full. The bank borrowing was secured by the TKT Hotel, repayable on demand and bearing interest at a floating rate which balances at 31st December, 2011, 2012 and 2013 were HK$405.0 million, HK$435.0 million and HK$630.0 million respectively. The increase of HK$30.0 million during the year ended 31st December, 2012 was utilised for the construction of the TKT Hotel. The bank borrowing was refinanced during the year ended 31st December, 2013 which surplus after the repayment of the expired bank borrowing was utilised to partially repay the loan from shareholder.

There were net current liabilities of HK$630.9 million, HK$815.8 million, HK$781.4 million and HK$5.1 million at 31st December, 2011, 2012, 2013 and 30th June, 2014 respectively.

Gearing ratio

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the gearing ratio of the More Star Group, calculated as a percentage of the More Star Group's total liabilities (excluding deferred tax liabilities) to its total assets, were 100.1%, 62.8%, 62.4% and 60.0% respectively.

Securities and guarantee

Apart from the pledge of the TKT Hotel and certain bank balances in aggregate of HK$633.2 million, HK$1,303.3 million and HK$1,290.0 million as securities for the bank borrowing granted to itself as at 31st December, 2011, 2012 and 2013, the More Star Group had not made any pledge of or created any security over assets and had not provided any corporate guarantee as at 31st December, 2011, 2012 and 2013 and 30th June, 2014.

Contingent liabilities

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the More Star Group did not have any significant contingent liability.

Exchange rate risk

The majority of the More Star Group's assets and liabilities, including the TKT Hotel and the bank borrowing were denominated in Hong Kong dollars. During the Relevant Periods, the More Star Group has not entered into any hedging arrangements.

Credit risk

As at 31st December, 2011, 2012 and 2013 and 30th June, 2014, the More Star Group did not have any significant concentration of credit risk.

Material acquisition and disposal

There was no material acquisition and/or disposal by the More Star Group during the Relevant Periods.

Future plan for capital assets

At 30th June, 2014, the More Star Group had no future plan for capital assets.

Staff and remuneration policy

At 31st December, 2011 and 30th June, 2014, the More Star Group did have any employee. As at 31st December, 2012 and 2013, it had 155 and 151 employees. Competitive remuneration packages were structured to commensurate with the responsibilities, qualifications, experience and performance of individual employee. The More Star Group also provided training programs, provident fund scheme and medical insurance for its employees.

1. VALUATION REPORT ON THE TKT HOTEL

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30th September, 2014 of the TKT Hotel.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

10th November, 2014

The Board of Directors
ITC Properties Group Limited
Unit 3102, 31st Floor, Bank of America Tower,
12 Harcourt Road,
Central,
Hong Kong

Dear Sirs,

Rosedale Hotel Kowloon
No. 86 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong

In accordance with the instructions from **ITC Properties Group Limited** (referred to as the "**Company**") to value the captioned vested property interests (referred to as the "**TKT Hotel**") situated in Hong Kong, we confirm that we have carried out inspections of the TKT Hotel, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the TKT Hotel as at 30th September, 2014 (the "**Valuation Date**").

Basis of Valuation

Our valuation of the TKT Hotel represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Methodology

The TKT Hotel has been valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

As the TKT Hotel is held by the owner as long term investment for rental incomes, we have cross-checked the valuation results obtained from the Market Approach by the Income Capitalization Approach. The Income Capitalization Approach is based on the net rental income that can be generated from the property under the Master Lease to be executed for the TKT Hotel with due allowance on the reversionary interest upon expiry of the Master Lease.

As the TKT Hotel is currently being operated as a hotel, we have valued it as an operational entity on going concern basis assuming that the existing business operations therein shall be continued. Our valuation also reflects the value of all chattels and fitting out within the TKT Hotel in association with the hotel business operations.

Assumptions

Our valuation has been made on the assumption that owners sell the property on the market in its existing state without the benefit of deferred terms contracts, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the TKT Hotel.

As the TKT Hotel is held by the owner by means of long term Government lease granted by the Hong Kong Government, we have assumed that the owner has free and uninterrupted rights to use the TKT Hotel for the whole of the unexpired term of its leasehold interest.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

Titleship

We have carried out title and encumbrance search for the TKT Hotel at the Hong Kong Land Registry. However, we have not verified ownership of the TKT Hotel and the existence of any encumbrances that would affect its ownership. According to the Land Registration Records obtained from the Land Registry, the registered owner of the TKT Hotel is Fortress State International Limited (registered via Conditions of Exchange No. 20129 of Kowloon Inland Lot No. 11208 and Certificate of Compliance dated 12th December, 2012).

All information in relation to property title is disclosed herein for reference only and we do not accept the liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the instructing party. Neither have we verified the correctness of any information supplied to us concerning the TKT Hotel. No responsibility of legal in nature is assumed in this report.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation has been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the TKT Hotel.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters of the TKT Hotel.

We have not carried out detailed site measurements to verify the correctness of the site area and floor areas in respect of the TKT Hotel but have assumed that the floor areas shown on the Hong Kong Government documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The TKT Hotel was inspected on 4th June, 2014 by Tse Wai Leung, who is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor. However, no structural survey has been made for the property. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the TKT Hotel are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the TKT Hotel.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the TKT Hotel, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

The TKT Hotel has been valued in Hong Kong Dollars (HK$).

Our valuation certificate is attached herewith.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over ten (10) years' experience in valuation of the properties in Hong Kong, Macau and the PRC.

VALUATION CERTIFICATE

Property held by the owner for investment purpose

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th September, 2014 *HK$*
Rosedale Hotel Kowloon No. 86 Tai Kok Tsui Road Tai Kok Tsui Kowloon Hong Kong Section A and the Remaining Portion of Kowloon Inland Lot No. 11208	The TKT Hotel comprises a site with an area of approximately 845.4 square meters on which a 27-storey (plus one (1) basement level) hotel building was completed in December 2011. The TKT Hotel has a total gross floor area of approximately 10,300.455 square meters including basement floor area of 476.562 square meters. It is accommodating a total of 435 guestrooms (or a total of 441 standard room modules). Functional uses of each of the floor levels are set out as follows: **Floor Level** — **Functional Uses** Basement — Plant rooms, loading area, fireman/disable lift, service lift, car lift and carpark G/F — Entrance foyer, concierge, electrical rooms, staff entrance, delivery entrance, taxi lay by, tour bus lay by, vehicle turn table, fireman/disable lift, service lift, escalator, car lift and carpark 1/F — Reception and cashier counter, seating area, gymnasium room, electrical room, TBE room, dry goods store room and escalator, fireman/disable lift 2/F — Restaurant, main kitchen, food and beverage storage, dishwashing area, plant room, LV switch room, electrical room, fireman/disable lift 3/F — Back of house, staff canteen, staff changing rooms and lavatories, plant rooms, electrical room, fireman/disable lift 5/F — Plant rooms, store room and workshops 6/F to 29/F — Guestrooms (accommodating a total of 441 standard room modules or 435 guestrooms), electrical room 30/F — Executive lounge, plant rooms and store room Roof — Lift machine room *4/F, 13/F, 14/F and 24/F are omitted in the hotel.* The TKT Hotel is held under Conditions of Exchange No. 20129 for a term of 50 years commencing from 18th April, 2011 at an annual Government rent based on 3% of the rateable value from time to time.	As at the Valuation Date, the TKT Hotel is being operated as a fully operational hotel. (see note 7 below)	1,285,000,000

Notes:

1. The registered owner of the TKT Hotel is Fortress State International Limited, a wholly-owned subsidiary of More Star Limited, via Conditions of Exchange No. 20129. Certificate of Compliance certifying that all the positive obligations imposed on the registered owner in respect of the subject land lot under the aforesaid Conditions of Exchange was issued by the District Lands Office, Kowloon West, Lands Department on 12th December, 2012 and was registered via memorial no. 12121900700027.

2. Consent letter dated 9th May, 2012 to increase the maximum gross floor area of the TKT Hotel from 10,144.8 square meters to 10,300.455 square meters was registered via memorial no. 12051803140028.

3. Lease modification letter for rectification of lot boundary of the TKT Hotel dated 4th October, 2012 was registered via memorial no. 12101002840019.

4. Occupation Permit No. KN39/2011(OP) in respect of the TKT Hotel was issued by the Building Authority on 12th December, 2011 and registered via memorial no. 12121900700014.

5. We have valued the TKT Hotel as an operational hotel on the assumption that the owner has obtained all necessary approvals and permits for hotel operations in the TKT Hotel.

6. The subject site falls within an area currently zoned "Other Specified Uses (Business)" under the Mongkok Outline Zoning Plan No. S/K3/30 dated 31st May, 2013.

7. Rosedale Hotel Kowloon Limited ("**Rosedale Kowloon**"), a wholly-owned subsidiary of Eagle Spirit Holdings Limited, has entered into the Master Lease with the owner of the TKT Hotel with effective on 1st April, 2014. The rent payable by Rosedale Kowloon shall comprise monthly base rent and turnover rent as follows:

    (a) Monthly base rent represents the amount for each year as set out below divided by twelve (12):

    (i) First year — HK$64,000,000

    (ii) Second year — HK$67,200,000

    (iii) Third year — HK$70,400,000

    (iv) Fourth year — HK$73,600,000

    (v) Fifth year — HK$76,800,000

    (vi) Sixth year — HK$80,000,000

    (b) For any year during the term of the Master Lease, in the event the gross revenue (all revenue and income of any kind derived from operations at the TKT Hotel) exceeds the threshold amount for such year, Rosedale Kowloon shall also pay a turnover rent in an amount equal to 60% of the difference between the gross revenue and the following threshold amounts for such year:

    (i) First year — HK$140,000,000

    (ii) Second year — HK$145,000,000

    (iii) Third year — HK$150,000,000

    (iv) Fourth year — HK$155,000,000

    (v) Fifth year — HK$160,000,000

    (vi) Sixth year — HK$165,000,000

No turnover rent shall be payable for that year if the gross revenue of a year is equal to or less than the threshold amount for such year.

The above rental is exclusive of, and Rosedale Kowloon shall be responsible for and shall pay, all assessments, duties, charges, impositions and outgoings of an annual or recurring nature assessed, incurred, imposed or charged on or in respect of the TKT Hotel or upon the owner or occupier thereof by the government authority. The landlord shall be responsible for all property tax, government rents and rates of the TKT Hotel during the term of the Master Lease.

8. Overview of the hotel property market of Hong Kong is set out as follows:

8.1 Market Demand

Benefiting from the strong growth in visitors from Mainland China, total visitor arrivals to Hong Kong grew by 11.7% in 2013 (approximately 54.3 million visitor arrivals) over the same of 2012. Total visitor arrivals to Hong Kong for the first three months of 2014 grew by 18.1% (approximately 14.7 million visitor arrivals) over the same period of 2013. Out of the total visitor arrivals for 2013, overnight visitors amounted to approximately 25.7 million (with an increase of 8% over the same of 2012). Visitors from Mainland China accounted for 75% of the total visitor arrivals (approximately 40.75 million visitor arrivals) with an increase of 16.7% over the same of 2012. Overnight visitors from Mainland China amounted to approximately 17.09 million (with an increase of 13.15% over the same of 2012). Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for 2013 was maintained at the same level last year of 89%.

8.2 Market Supply

By the end of July 2013, Hong Kong has a total of 217 hotels, with 68,753 guestrooms. Total room supply increased by 3,808 rooms or 5.9% more than in July 2012. To cater for the increasing demand for hotel rooms from visitors, the Hong Kong Government has undertaken a number of initiatives to promote hotel developments to meet diversified needs from visitors. For instance, a number of development sites in different parts of Hong Kong have been designated for "hotel only" use. There are also initiatives to allow conversion of old industrial buildings and re-vitalisation of heritage buildings into hotels. By the end of 2014, the total number of hotels in Hong Kong is expected to increase to 263 with a total of about 71,959 guestrooms.

8.3 Asset Performance

Based on the information published by the Hong Kong Tourism Board, the average achieved hotel room rate for 2013 is HK$1,447, dropped by about 2.8% year on year.

9. Given the assessed market value of HK$1,285,000,000 of the TKT Hotel, the agreed base rent of the Master Lease shall generate a gross investment yield of 5.69% which is in line with the prevailing market investment yield of commercial properties in Hong Kong:

Year	Annual Rent/Reversion Value	Yield	PV Factor	Present Value
1	21,333,333 (3 months ended 31st December, 2014)	5.69%	0.9861	21,037,607
2	66,400,000	5.69%	0.9330	61,951,804
3	69,600,000	5.69%	0.8826	61,429,569
4	72,800,000	5.69%	0.8351	60,792,198
5	76,000,000	5.69%	0.7901	60,045,201
6	79,200,000	5.69%	0.7475	59,202,239
7	1,285,000,000	5.69%	0.7475	960,541,381
			Total	1,285,000,000

Therefore, we are of the opinion that the market value of the TKT Hotel as measured by Income Capitalization Approach (on the basis that it is subject to the Master Lease as at the Valuation Date) shall have no material difference from the amount measured by the Market Approach.

2. VALUATION REPORT ON THE BEIJING HOTEL

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30th September, 2014 of the Beijing Hotel.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

10th November, 2014

The Board of Directors
ITC Properties Group Limited
Unit 3102, 31st Floor, Bank of America Tower,
12 Harcourt Road,
Central,
Hong Kong

Dear Sirs,

Rosedale Hotel & Suites, Beijing
No. 8 Jiang Tai Road West, Chao Yang District, Beijing, the PRC

In accordance with the instructions from **ITC Properties Group Limited** (referred to as the "**Company**") to value the captioned property interests (referred to as the "**Beijing Hotel**") situated in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections of the Beijing Hotel, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Beijing Hotel as at 30th September, 2014 (the "**Valuation Date**").

Basis of Valuation

Our valuation of the Beijing Hotel represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Methodology

The Beijing Hotel has been valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

As the Beijing Hotel is currently being operated as a hotel, we have valued it as an operational entity on going concern basis assuming that the existing business operations therein shall be continued. Our valuation also reflects the value of all chattels and fitting out within the Beijing Hotel in association with the hotel business operations.

Assumptions

Our valuation has been made on the assumption that owners sell the Beijing Hotel on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Beijing Hotel.

As the Beijing Hotel is held by the owner by means of long term land use rights granted by the PRC Government, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term of its land use rights. Unless stated as otherwise, we have also assumed that the Beijing Hotel can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the PRC Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

Titleship

We have been provided with copies of legal documents regarding the Beijing Hotel. However, we have not verified ownership of the Beijing Hotel and the existence of any encumbrances that would affect ownership of the Beijing Hotel.

We have also relied upon the legal opinion provided by the PRC legal adviser, namely Zhong Lun Law Firm (中倫律師事務所), to DS Eastin Limited on the relevant laws and regulations in the PRC, on the nature of land use rights and the owner's interests in the Beijing Hotel.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation has been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Beijing Hotel.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters of the Beijing Hotel.

We have not carried out detailed site measurements to verify the correctness of the site area and floor areas in respect of the Beijing Hotel but have assumed that the floor areas shown on the PRC Government documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Beijing Hotel was inspected on 29th May, 2014 by Zhou Tong, who is a PRC Registered Land Appraiser. However, no structural survey has been made for the Beijing Hotel. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the Beijing Hotel are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the Beijing Hotel.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Beijing Hotel, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

The Beijing Hotel has been valued in Hong Kong Dollars (HK$). Whenever applicable, an exchange rate of Renminbi (RMB) 1 to HK$1.2619 has been adopted for currency conversion.

Our valuation certificate is attached herewith.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over ten (10) years' experience in valuation of the properties in Hong Kong, Macau and the PRC.

VALUATION CERTIFICATE

Property held and operated by the owner

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th September, 2014 *HK$*
Rosedale Hotel & Suites, Beijing No. 8 Jiang Tai Road West Chao Yang District Beijing the PRC	The Beijing Hotel comprises a site with an area of 18,711.62 square meters on which a 20-storey hotel building is erected. In addition, two (2) basement levels are provided underneath. The Beijing Hotel was completed in 1990. The Beijing Hotel also includes three (3) blocks of single to 2-storey ancillary building. As at the Valuation Date, the Beijing Hotel was not in the process of being developed. The Beijing Hotel has a total gross floor area of 37,173.20 square meters (including superstructure gross floor area of 29,810.80 square meters and substructure gross floor area of 7,362.40 square meters). The Beijing Hotel comprises a total of 462 guestrooms, a shopping arcade, restaurant, lobby lounge, bar, executive lounge, coffee shop, fitness centre, ballroom, multi-purpose function rooms, business centre and car parking spaces. The Beijing Hotel is situated at the east part of Beijing and is less than 30 minutes' drive from the Beijing Capital International Airport. It is falling within a well developed area and is in close proximity with the East embassy area, the China International Exhibition Centre and the central business area of Chaoyang District, two (2) sprawling public parks namely the Si De Park (四得公園) and the Li Do Park (麗都公園) are found opposite to the Beijing Hotel and offering open view to the subject development. The Beijing Hotel is held for a land use right term of 40 years (See notes 4 and 9 below).	As at the date of our inspection, the Beijing Hotel was being operated as a fully operational hotel.	1,300,000,000 (see notes 4, 5 and 9 below)

Notes:

1. According to a State-owned Land Use Right Certificate (Serial No. 京朝國用(2011出)第00112號) dated 23rd March, 2011 and a Building Ownership Certificate (Serial No. 京房權証市朝港澳台字第10156號) dated 22nd November, 2005, the Beijing Hotel is held by Rosedale Hotel Beijing Co., Ltd. (北京珀麗酒店有限責任公司).

2. As revealed from the Joint Venture Agreement (the "**PRC JV Agreement**") dated 18th October, 2013, Rosedale Hotel Beijing Co., Ltd. is a sino-foreign jointly owned entity held by Beijing Baijun Investment Limited (北京百駿投資有限公司) as to 80% and DS Eastin Limited (a wholly-owned subsidiary of Makerston Limited) as to 20%. Significant terms and conditions of the PRC JV Agreement are set out as follows:

   2.1 Both the paid up and registered capital of Rosedale Hotel Beijing Co., Ltd. is US$86,000,000 of which US$68,800,000 (80% of total amount) and US$17,200,000 (20% of total amount) are contributed by Beijing Baijun Investment Limited and DS Eastin Limited respectively.

   2.2 Profit from Rosedale Hotel Beijing Co., Ltd. shall be shared by both parties to the PRC JV Agreement in accordance with their respective ratio of capital contribution.

3. We have valued the Beijing Hotel as an operational entity on going concern basis on the assumption that the existing business operations in the Beijing Hotel will be continued. Our valuation reflects the value of all chattels and fitting out within the Beijing Hotel in association with the hotel business operations.

4. As revealed from a Supplemental Agreement entered into between the Beijing Municipal Bureau of Land and Resources (as Grantor) and Rosedale Hotel Beijing Co., Ltd. (as Grantee) on 9th June, 2014 at a top up land premium of RMB67,420,150 payable by the Grantee to the Grantor with material terms set out as follows:

Planned Land Use	:	Commercial and Finance
Land Area	:	14,692.85 square meters
Permissible Gross Floor Area	:	54,780 square meters (Superstructure)
Permissible Building Height	:	100 meters
Land Use Right Term	:	40 years

5. According to the aforesaid Supplemental Agreement and given the total gross floor area of the existing buildings of the Beijing Hotel, the development potential of the subject land parcel has not yet been fully utilized. In this regards, the Company has planned to develop a luxurious hotel tower accommodating a total of 250 guestrooms and additional conferencing facilities (the "**Extension Project**") within the subject land parcel. As at the Valuation Date, no formal architectural plan for the Extension Project was prepared and submitted and hence no planning approval on the development scheme was obtained. In our valuation, we have taken into account the market value of the unutilized development potential of the Beijing Hotel on the assumption that Rosedale Hotel Beijing Co., Ltd. shall have no legal impediment in obtaining all necessary approvals and consents from the PRC Government for the construction of the Extension Project.

6. In accordance with the information provided by the Company, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Right Certificate	:	Yes
Building Ownership Certificate	:	Yes
Business Licence	:	Yes

7. The opinion from the PRC legal adviser of the Company on the Beijing Hotel is as follows:

   (i) In accordance with the State-owned Land Use Right Certificate (Serial No.京朝國用(2011出)第00112號) issued by the Beijing People's Government of Chao Yang District on 23rd March, 2011 and the Building Ownership Certificate (Serial No. 京房權証市朝港澳台字第10156號) issued by the Beijing Municipal Construction Commission on 22nd November, 2005, Rosedale Hotel Beijing Co., Ltd. is the sole legal owner of the land use right and the buildings of the Beijing Hotel for a land use right term expiring on 21st November, 2044.

   (ii) On 26th February, 1994, the Beijing Municipal Administration of Building and Land entered into a State-owned Land Use Right Grant Contract with Rosedale Hotel Beijing Co., Ltd. (formerly known as 新萬壽賓館有限責任公司), pursuant to which the former agreed to grant to the latter the land use rights of the property with a land area of 18,699.6 square meters for a term of 50 years for hotel use (with a plot ratio of 1.9) at a land premium of RMB11,287,400.

(iii) Rosedale Hotel Beijing Co., Ltd. has proposed to conduct the Extension Project in order to increase the total gross floor area of the Beijing Hotel to approximately 54,780 square meters. Pursuant to the reply letter (北京市國土資源局關於北京珀麗酒店改擴建項目征求意見的覆函, Ref. No. 京國土利函[2012]37號) issued by the Beijing Municipal Bureau of Land and Resources (the "**Bureau**") on 16th January, 2012, the Extension Project was approved by the Bureau in principle on the condition that the existing land use right area, the range and the use of the Beijing Hotel shall remain unchanged subject to the urban planning conditions for the Extension Project. Rosedale Hotel Beijing Co., Ltd. is also required to complete relevant modification procedures for the State-owned Land Use Right Grant Contract, and to pay additional land premium as reviewed and decided by the Bureau in accordance with the applicable policies.

(iv) Rosedale Hotel Beijing Co., Ltd. has submitted an application in connection with the Extension Project to the Beijing Municipal Commission of Urban Planning for approval of the relevant urban planning conditions thereof on 14th September, 2012. The relevant urban planning conditions in connection with the Extension Project have been approved by the Beijing Municipal Commission of Urban Planning.

(v) On 24th January, 2013, the Beijing Municipal Commission of Urban Planning laid down the Construction Project Urban Planning Conditions pursuant to which the relevant planning conditions in connection with the Extension Project was approved. A summary of the material conditions is as follow:

- Developable Land Area : 14,700 square meters
- Land Use : Commerce and Finance
- Use of Building : Hotel
- Total Floor Area : not more than 54,780 square meters
- Total Building Height : not more than 100 meters

(vi) On 20th June, 2013, Chaoyang District Commission of Development and Reform of Beijing Municipality issued the Notice of Preliminary Examination of the Land Used for Construction Projects (建設項目土地預審告知單), pursuant to which Rosedale Beijing is urged to launch application to the Beijing Municipal Bureau of Land and Resources for performing land use evaluation in accordance with the prescribed procedures.

(vii) On 26th February, 2014, the Beijing Municipal Commission of Development and Reform issued the approval letter (北京市發展和改革委員會關於北京珀麗酒店項目改擴建核准的批覆, 京發改[2014]425號), pursuant to which the Extension Project is approved in principle on the condition that the total land use right area, the range and the location shall be consistent with the approval letter.

(viii) The Extension Project has been approved by the Beijing Municipal Bureau of Land and Resources on the condition that the total land use right area, the range and the use shall remain unchanged subject to the urban planning conditions as approved by the relevant urban planning authorities. Rosedale Hotel Beijing Co., Ltd. has handled the relevant modification procedures in respect of the Extension Project and entered into a supplemental agreement to the State-owned Land Use Right Grant Contract (the "**Supplemental Agreement**") with the Beijing Municipal Bureau of Land and Resources and paid up the additional land premium on 20th June, 2014. Rosedale Hotel Beijing Co., Ltd. can legally carry out the Extension Project provided that Rosedale Hotel Beijing Co., Ltd. shall have duly obtained the relevant environmental approval, the Construction Land Planning Permit, the Construction Project Planning Permit and the Construction Permit in connection with the Extension Project before commencing the construction.

(ix) According to the Certificate of Approval and the Business License dated 18th November, 2013 and 31st March, 2014 respectively, Rosedale Hotel Beijing Co., Ltd. as the owner of the premises is validly existing and in good standing as a Sino-Foreign Joint Venture under the PRC Laws; and the Business License of Rosedale Hotel Beijing Co., Ltd. is in full force and effect.

(x) Rosedale Hotel Beijing Co., Ltd., being the legal owner of the Beijing Hotel, is entitled to transfer, lease, mortgage or otherwise dispose of the property in accordance with the PRC laws and regulations throughout the unexpired land use rights term of the Beijing Hotel.

(xi) To the best knowledge of the PRC legal adviser, the Beijing Hotel is free from mortgage, charge, litigation, seizure order and other third parties' rights.

8. The Beijing Hotel has been accounted for in the financial statements at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

9. As stated in the Supplemental Agreement mentioned in note 4 above, the land use right term of the Beijing Hotel is 40 years but the commencement date and the expiry date had not been specified. As referred in the State-owned Land Use Right Certificate mentioned in note 7(i) above, the land use right term of the Beijing Hotel should be expiring on 21st November, 2044. After the best enquiry by the management of the Purchaser with China Private Ventures Ltd., the beneficial controlling shareholder of the PRC Company which is primarily responsible for the negotiation with the Beijing Municipal Bureau of Land and Resources regarding the renewal of the State-owned Land Use Right Certificate, the expiry date of the land use right term of the Beijing Hotel shall probably expire at a date on or after 21st November, 2044. For the preparation of this valuation report, it is assumed that the land use right term of the Beijing Hotel will expire on 21st November, 2044. For reference, in case the land use right term of the Beijing Hotel is reduced by 10 years expiring on 21st November, 2034 instead of 21st November, 2044, the valuation of the Beijing Hotel would be HK$1,120 million. In the event that the expiry of the land use right term of the Beijing Hotel is fixed at a date beyond 21st November, 2044, assuming other things remain unchanged, it is expected that the valuation of the Beijing Hotel would not be lower than the stated value of HK$1,300 million.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

A. Basis of preparation

The following is an illustrative and unaudited pro forma financial information of the Group as enlarged by the MS Completion and/or the ES Completion (the "**Unaudited Pro Forma Financial Information**"), comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the Group as enlarged by the MS Completion and/or the ES Completion.

The Unaudited Pro Forma Financial Information have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the MS Completion and/or the ES Completion, as if (i) the MS Completion had taken place on 31st March, 2014 for the unaudited pro forma consolidated statement of financial position, and the MS Completion had taken place on 1st April, 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows ("**Scenario I**"); (ii) the ES Completion had taken place on 31st March, 2014 for the unaudited pro forma consolidated statement of financial position, and the ES Completion had taken place on 1st April, 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows ("**Scenario II**"); and (iii) the MS Completion and the ES Completion had both taken place on 31st March, 2014 for the unaudited pro forma consolidated statement of financial position, and the MS Completion and the ES Completion had both taken place on 1st April, 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows ("**Scenario III**").

The Unaudited Pro Forma Financial Information is based on certain assumptions, estimates, uncertainties and other currently available financial information, and has been prepared by the Directors for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Group following the MS Completion and/or the ES Completion.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Company for the year ended 31st March, 2014.

The unaudited pro forma consolidated statement of financial position of the Group as enlarged by the MS Completion and/or the ES Completion as at 31st March, 2014 is prepared as if the MS Completion and/or the ES Completion had taken place on 31st March, 2014 and is based on (i) the audited consolidated statement of financial position of the Group as at 31st March, 2014, which has been extracted from the annual report of the Company for the year ended 31st March, 2014; (ii) the audited consolidated statement of financial position of the Makerston Group as at 30th June, 2014 as extracted from the accountants' report thereon as set out in Appendix IIA to this Circular; and (iii) the audited consolidated statement of financial position of the Eagle Spirit Group as at 30th June, 2014 as extracted from the accountants' report thereon as set out in Appendix IIC to this Circular, after making pro forma adjustments that are (i) directly attributable to the Transactions; and (ii) factually supportable.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Group as enlarged by the MS Completion and/or the ES Completion for the year ended 31st March, 2014 are prepared as if the MS Completion and/or the ES Completion had taken place on 1st April, 2013 and are based on (i) the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31st March, 2014, which have been extracted from the annual report of the Company for the year ended 31st March, 2014; (ii) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Makerston Group for the year ended 31st December, 2013 as extracted from the accountants' report thereon set out in Appendix IIA to this Circular; and (iii) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Eagle Spirit Group for the year ended 31st December, 2013 as extracted from the accountants' report thereon set out in Appendix IIC to this Circular, after making pro forma adjustments that are (i) directly attributable to the Transactions; and (ii) factually supportable.

* *All capitalised terms herein have the same meaning as those defined in the Circular, unless otherwise indicated.*

B. Unaudited Pro Forma Financial Information

(i) Scenario I: It is assumed for this scenario that the MS Completion had taken place on 31st March, 2014 for the unaudited pro forma consolidated statement of financial position, and the MS Completion had taken place on 1st April, 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

Pro Forma Consolidated Statement of Financial Position

As at 31/03/2014

	The Group 31/03/2014	The Makerston Group 30/06/2014	Sub-total	Pro forma adjustments on the acquisition of the Makerston Group						The Enlarged Group after the MS Completion 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*			*Notes*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	
Non-current assets										
Property, plant and equipment	230,107	—	230,107							230,107
Investment properties	382,000	—	382,000							382,000
Available-for-sale investments	468,393	—	468,393							468,393
Investment in convertible note	28,702	—	28,702							28,702
Interests in joint ventures	528,534	—	528,534							528,534
Amounts due from joint ventures	98,616	—	98,616							98,616
Interests in associates	688,399	263,512	951,911	71,993	*4*	(66,744)				957,160
Unsecured loans due from associates	112,482	—	112,482							112,482
Other loan receivables	15,287	—	15,287							15,287
Tax indemnities asset	—	—	—			66,744				66,744
	2,552,520	263,512	2,816,032							2,888,025
Current assets										
Deposits paid for acquisition of leasehold land	194,010	—	194,010							194,010
Stock of properties	1,157,755	—	1,157,755							1,157,755
Other loan receivables	253,245	—	253,245							253,245
Debtors, deposits and prepayments	476,805	665,952	1,142,757				(665,952)			476,805
Financial assets at fair value through profit or loss	287,423	—	287,423							287,423
Amounts due from associates	6,711	—	6,711							6,711
Bank balances and cash	470,750	61	470,811	(51,758)	*3*			(4,000)		415,053
	2,846,699	666,013	3,512,712							2,791,002

	The Group 31/03/2014	The Makerston Group 30/06/2014	Sub-total	Pro forma adjustments on the acquisition of the Makerston Group						The Enlarged Group after the MS Completion 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*			*Notes*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	
Current liabilities										
Creditors, deposits and accrued charges	775,009	10	775,019						54	775,073
Deposits received for disposal of subsidiaries	350,000	—	350,000							350,000
Tax payables	82,771	66,744	149,515							149,515
Loan notes — due within one year	224,025	—	224,025							224,025
Obligations under finance leases — due within one year	79	—	79							79
Bank borrowings — due within one year	229,159	—	229,159							229,159
Amount due to immediate holding company	—	217,725	217,725				(217,725)			—
Amounts due to fellow subsidiaries	—	54	54						(54)	—
	1,661,043	284,533	1,945,576							1,727,851
Net current assets	1,185,656	381,480	1,567,136							1,063,151
Total assets less current liabilities	3,738,176	644,992	4,383,168							3,951,176
Non-current liabilities										
Obligations under finance leases — due after one year	196	—	196							196
Deferred tax liabilities	1,382	—	1,382							1,382
Promissory note payable	—	—	—	217,000	*3*					217,000
	1,578	—	1,578							218,578
	3,736,598	644,992	4,381,590							3,732,598
Capital and reserves										
Share capital	6,886	—	6,886							6,886
Share premium	2,488,824	—	2,488,824							2,488,824
Contributed surplus	113,020	—	113,020							113,020
Capital redemption reserve	9,185	—	9,185							9,185
Share-based payment reserve	4,258	—	4,258							4,258
Available for sales investment reserve	81,872	—	81,872							81,872
Special reserve	(8,908)	—	(8,908)							(8,908)
Translation reserve	21,024	(19,144)	1,880	19,144	*4*					21,024
Retained profits	1,021,730	664,136	1,685,866	(215,909)	*4*		(448,227)	(4,000)		1,017,730
Equity attributable to owners of the Company	3,737,891	644,992	4,382,883							3,733,891
Non-controlling interests	(1,293)	—	(1,293)							(1,293)
	3,736,598	644,992	4,381,590							3,732,598

Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31/03/2014

	The Group For the year ended 31/03/2014	The Makerston Group For the year ended 31/12/2013	Sub-total	Pro forma adjustments on the acquisition of the Makerston Group		The Enlarged Group after the MS Completion For the year ended 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*		*Note 7*	*Note 9*	
Turnover						
— Gross proceeds	58,021	80,075	138,096			138,096
Revenue	35,274	80,075	115,349			115,349
Hotel operation income	—	80,075	80,075			80,075
Rental, properties commission and building management fee income	5,250	—	5,250			5,250
Direct cost/Cost of sales and services	(252)	(57,322)	(57,574)			(57,574)
Gross profit	4,998	22,753	27,751			27,751
Income from loan financing	26,201	—	26,201			26,201
Net gain on financial instruments	88,312	—	88,312			88,312
Other income, gains and losses	24,893	7,152	32,045			32,045
Net decrease in fair value of investment properties	(2,125)	—	(2,125)			(2,125)
Gain on disposal of an investment property	145,953	—	145,953			145,953
Gain on disposal of a joint venture	69,791	—	69,791			69,791
Gain on disposal of subsidiaries	413,668	656,230	1,069,898			1,069,898
Administrative and other expenses	(194,489)	(37,352)	(231,841)	(4,000)		(235,841)
Finance costs	(56,737)	(7,114)	(63,851)		(28,210)	(92,061)
Share of results of joint ventures	(54,537)	—	(54,537)			(54,537)
Share of results of associates	(35,080)	(1,223)	(36,303)			(36,303)
Profit before taxation	430,848	640,446	1,071,294			1,039,084
Taxation	(44,597)	(60,149)	(104,746)			(104,746)
Profit for the year	386,251	580,297	966,548			934,338
Profit (loss) for the year attributable to:						
Owners of the Company	386,853	580,297	967,150	(4,000)	(28,210)	934,940
Non-controlling interests	(602)	—	(602)			(602)
	386,251	580,297	966,548			934,338

	The Group For the year ended 31/03/2014 HK$'000 Note 1	The Makerston Group For the year ended 31/12/2013 HK$'000 Note 2	Sub-total HK$'000	Pro forma adjustments on the acquisition of the Makerston Group HK$'000 Note 7	HK$'000 Note 9	The Enlarged Group after the MS Completion For the year ended 31/03/2014 HK$'000
Other comprehensive income (expense)						
Items that may be subsequently reclassified to profit or loss:						
Net gain on fair value changes of available-for-sale investments	48,869	—	48,869			48,869
Reclassification adjustments of translation reserve to profit or loss upon:						
— deregistration of a subsidiary	(1,289)	—	(1,289)			(1,289)
— loss of control over subsidiaries	(2,383)	—	(2,383)			(2,383)
Exchange differences arising on translation of foreign operations	2,534	—	2,534			2,534
Exchange difference arising on translation of functional currency to presentation currency	—	16,732	16,732			16,732
Share of translation reserve of associates and joint ventures	(2,021)	—	(2,021)			(2,021)
Other comprehensive income for the year	45,710	16,732	62,442			62,442
Total comprehensive income for the year	431,961	597,029	1,028,990			996,780
Total comprehensive income (expense) attributable to:						
Owners of the Company	432,563	597,029	1,029,592	(4,000)	(28,210)	997,382
Non-controlling interests	(602)	—	(602)			(602)
	431,961	597,029	1,028,990			996,780

Pro Forma Consolidated Statement of Cash Flows

For the year ended 31/03/2014

	The Group For the year ended 31/03/2014	The Makerston Group For the year ended 31/12/2013	Sub-total	Pro forma adjustments on the acquisition of the Makerston Group				The Enlarged Group after the MS Completion For the year ended 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*		*Note 3*	*Note 7*	*Note 8*	*Note 9*	
Operating activities								
Profit before tax	430,848	640,446	1,071,294		(4,000)		(28,210)	1,039,084
Adjustments for:								
Allowance for doubtful debts	357	—	357					357
Depreciation of property, plant and equipment	9,753	25,385	35,138					35,138
Decrease in fair value of investment properties	2,125	—	2,125					2,125
Fair value gain on derivative financial instrument	—	(650)	(650)					(650)
Finance costs	56,737	7,114	63,851				28,210	92,061
Gain on disposal of a joint venture	(69,791)	—	(69,791)					(69,791)
Gain on disposal of an investment property	(145,953)	—	(145,953)					(145,953)
Gain on disposal of subsidiaries	(413,668)	(656,230)	(1,069,898)					(1,069,898)
Impairment loss on investment in convertible note	728	—	728					728
Interest income	(3,762)	(80)	(3,842)					(3,842)
Loss on disposal of property, plant and equipment, net	2	23	25					25
Net gain on financial instruments	(88,309)	—	(88,309)					(88,309)
Share-based payments expense	4,258	—	4,258					4,258
Share of results of associates	35,080	1,223	36,303					36,303
Share of results of joint ventures	54,537	—	54,537					54,537
Transaction cost in relation to acquisition of subsidiaries	—	—	—		4,000			4,000
Operating cash flows before movements in working capital	(127,058)	17,231	(109,827)					(109,827)
Deposit paid for acquisition of leasehold land	(194,010)	—	(194,010)					(194,010)
Increase in stock of properties	(168)	—	(168)					(168)
Decrease in other loan receivables	42,351	—	42,351					42,351
Increase in debtors, deposits and prepayments	(17,111)	(3,509)	(20,620)			(5,712)		(26,332)
Increase in financial assets at fair value through profit or loss	(50,441)	—	(50,441)					(50,441)
Increase in inventories	—	(158)	(158)					(158)
Decrease in creditors, deposits and accrued charges	(34,015)	(4,468)	(38,483)					(38,483)
Increase in amount due from fellow subsidiaries	—	(463)	(463)			5,712		5,249
Cash (used in) from operations	(380,452)	8,633	(371,819)					(371,819)
Interest paid	(43,491)	—	(43,491)					(43,491)
Net cash (used in) from operating activities	(423,943)	8,633	(415,310)					(415,310)

	The Group For the year ended 31/03/2014	The Makerston Group For the year ended 31/12/2013	Sub-total	Pro forma adjustments on the acquisition of the Makerston Group				The Enlarged Group after the MS Completion For the year ended 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*		*Note 3*	*Note 7*	*Note 8*	*Note 9*	
Investing activities								
Net proceeds from disposal of an investment property	821,113	—	821,113					821,113
Proceeds from disposal of subsidiaries	199,841	291,073	490,914					490,914
Proceeds from disposal of a joint venture	190,000	—	190,000					190,000
Acquisitions of assets through acquisition of subsidiaries	94,735	—	94,735					94,735
Repayment from associates	53,230	—	53,230					53,230
Refundable earnest money refunded	7,000	—	7,000					7,000
Interest received	2,455	80	2,535					2,535
Repayment from joint ventures	680	—	680					680
Deemed disposal of a subsidiary	39	—	39					39
Proceed from disposal of property, plant and equipment	30	5	35					35
Dividend received	3	—	3					3
Acquisition of a subsidiary	2	—	2	(51,758)	(4,000)			(55,756)
Advance to joint ventures	(141,944)	—	(141,944)					(141,944)
Additions to investment properties	(101,040)	—	(101,040)					(101,040)
Investment in joint venture	(62,326)	—	(62,326)					(62,326)
Purchase of available-for-sale investments	(57,480)	—	(57,480)					(57,480)
Investment in an associate	(55,300)	—	(55,300)					(55,300)
Refund of earnest money received	(25,000)	—	(25,000)					(25,000)
Purchase of property, plant and equipment	(6,173)	(24,171)	(30,344)					(30,344)
Advance to associates	(2,110)	—	(2,110)					(2,110)
Placement of pledged bank deposits	—	(297,331)	(297,331)					(297,331)
Settlement of derivative financial instrument	—	(2,080)	(2,080)					(2,080)
Net cash from (used in) investing activities	917,755	(32,424)	885,331					829,573
Financing activities								
Repayment and repurchase of loan notes	(206,767)	—	(206,767)					(206,767)
Repayment of bank borrowings	(151,456)	(8,505)	(159,961)					(159,961)
Dividend paid	(120,615)	—	(120,615)					(120,615)
Repayment of obligations under finance leases	(118)	—	(118)					(118)
Net proceed from issue of shares	33,937	—	33,937					33,937
New bank borrowings raised	10,300	—	10,300					10,300
Interest paid	—	(7,048)	(7,048)				(12,500)	(19,548)
Advance from immediate holding company	—	85,991	85,991			(85,991)		—
Repayment to immediate holding company	—	(56,027)	(56,027)			56,027		—
Advance from an independent third party	—	—	—			85,991		85,991
Repayment to an independent third party	—	—	—			(56,027)		(56,027)
Net cash (used in) from financing activities	(434,719)	14,411	(420,308)					(432,808)
Net increase (decrease) in cash and cash equivalents	59,093	(9,380)	49,713	(51,758)	(4,000)		(12,500)	(18,545)
Cash and cash equivalents at the beginning of the year	415,433	8,991	424,424					424,424
Effect of foreign exchange rate changes	(3,776)	832	(2,944)					(2,944)
Cash and cash equivalents at the end of the year	470,750	443	471,193	(51,758)	(4,000)		(12,500)	402,935
Represented by:								
Bank balances and cash	470,750	443	471,193	(51,758)	(4,000)		(12,500)	402,935

Notes to the pro forma financial information

1. The audited consolidated statement of financial position of the Group, the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group are extracted without any adjustments from the audited consolidated financial statements of the Group for the year ended 31st March, 2014.

2. The amounts are extracted from the Accountants' Report of the Makerston Group as set out in Appendix IIA to the Circular, and represent an adjustment to aggregate the Makerston Group's consolidated assets and liabilities, consolidated results and consolidated cash flows with those of the Group as at 30th June, 2014 and for the year ended 31st December, 2013 respectively.

3. The adjustments represent considerations assumed to be paid by the Group with respect to the acquisition of (i) the MS Sale Share and (ii) the acceptance of assignment of the MS Sale Loan, (the "**Makerston Transaction**"), assuming that the MS Completion had taken place on 31st March, 2014. Pursuant to the Makerston Agreement, the consideration for the acquisition of the MS Sale Share and the MS Sale Loan (the "**MS Consideration**") shall be determined in accordance with the following formula:

	Pro Forma MS Consideration at 31st March, 2014
	HK$'000
Consideration	256,000
Plus:	
MS Net Current Assets of Makerston Limited ("**Makerston**" or "**MS**")	152,764
MS Net Current Assets (Liabilities) of DS Eastin Limited* ("**DS Eastin**")	(152,767)
20% of MS Net Current Assets of Rosedale Hotel Beijing Co., Ltd. (北京珀麗酒店有限責任公司), (the "**PRC Company**" or "**Rosedale Beijing**")	28,933
20% of the amount of land premium paid by the PRC Company out of its cash on hand during the period between the date of the Makerston Agreement and the MS Completion Date	16,828
Total pro forma consideration	301,758

* Pursuant to the Makerston Agreement, the MS Net Current Assets of DS Eastin for the computation of the MS consideration exclude the Compensated Amount of HK$665,952,000 as at 30th June, 2014, as extracted from the consolidated statement of financial position of the MS Group as at that date, which is included in Appendix IIA to this Circular.

Pursuant to the Makerston Agreement, the MS Consideration is capped at HK$324,000,000. Given the pro forma MS Consideration calculated by the above formula using the financial information of the Makerston Group as at 30th June, 2014 does not exceed HK$324,000,000, for the purpose of preparation of this pro forma consolidated statement of financial position, the pro forma MS Consideration is assumed to be HK$301,758,000 which will be satisfied by:

(i) HK$250,000,000 by issue of a 5%, 2-year promissory note (the "**MS Note**"); and

(ii) the balance (i.e. HK$51,758,000) in cash.

An analysis of the pro forma fair value of the consideration of the Makerston Transaction assuming the Makerston Transaction had taken place on 31st March, 2014 is set out as follows:

	Face value	**Pro forma fair value as at 31st March, 2014**
	HK$'000	*HK$'000*
MS Note	250,000	217,000
Cash consideration	51,758	51,758
Total consideration	301,758	268,758

The MS Note is to be issued by the Company bearing coupon interest at 5% per annum, payable semi-annually in arrears, and with maturity period of 2 years. At initial recognition, the pro forma fair value of the MS Note is estimated based on the valuation report issued by an independent firm of valuers, which is measured at the present value of contractual future cash flows discounted at the effective interest rate of 13% per annum, taking into account the credit standing of the Company and the remaining time to maturity. In terms of the MS Note, the Company has an option to early redeem the MS Note at par plus accrued outstanding interest. In the opinion of the Directors, the fair value of the early redemption is insignificant. The fair value of the MS Note and the early redemption option embedded derivative is subject to change at MS Completion Date.

4. The adjustments represent the elimination of the MS Group's capital and reserves at the date of acquisition of the MS Group and the allocation of the pro forma purchase consideration to the Makerston Group's identifiable assets and liabilities acquired, as if the acquisition had taken place on 31st March, 2014. The pro forma allocation of purchase consideration to the identifiable assets and liabilities of the Makerston Group has been based upon management's preliminary estimates of their relative fair values and certain assumptions with respect to the assets to be acquired and the liabilities to be assumed. The actual fair values of the assets and liabilities will be determined as of the MS Completion Date and may differ materially from the amounts disclosed below in the preliminary pro forma purchase price allocation.

Consequently, the final amount of the identifiable assets and liabilities, as well as the fair value of the consideration to be recognised in connection with the Makerston Transaction at the date of the MS Completion could be materially different from the estimated amount stated herein. The pro forma adjustment to the identifiable assets and liabilities arising from the acquisition of 100% of the equity interest in the MS Group is calculated as follows:

	HK$'000
Pro forma fair value of consideration *(Note 3)*	268,758
Adjusted carrying amount of net assets of the MS Group *(note a)*	(196,765)
Pro forma adjustment on interest in an associate	71,993

Note:

(a) For the purpose of the unaudited pro forma consolidated statement of financial position, which is prepared solely for illustrative purposes, it is assumed that the pro forma fair values of the identifiable assets, liabilities and contingent liabilities (if any) of the Makerston Group and the MS Sale Loan being acquired approximated their respective carrying amounts, which is HK$196,765,000 as at 30th June, 2014, which can be reconciled to the carrying amounts of net assets of the MS Group as extracted from the Accountant's Report of the MS Group as set out in Appendix IIA to this Circular as follows:

	HK$'000
Carrying amount of net assets of the MS Group *(Note 2)*	644,992
Less: DS Eastin dividend and MS dividend *(Note 6)*	(448,227)
Adjusted carrying amount of net assets of the MS Group	196,765

5. Pursuant to the terms of the Makerston Agreement, the MS Vendor undertakes, among other things, to the Purchaser, the Makerston Group and the PRC Company that it will fully indemnify the Makerston Group and the PRC Company against any taxation and related expenses arising from the capital injection by an independent third party (the "**Capital Increase Agreement**") and the transactions contemplated thereunder. In the event that any of the MS Group Entities have received any notice or demand from any PRC authority in relation to any taxation and related expenses arising from the Capital Increase Agreement or any transactions contemplated therein, the Group shall be entitled to withhold the relevant amounts from and against any future amounts (other than interest payable) due to the MS Vendor under the MS Note.

   The adjustment represents the recognition of an indemnities asset of HK$66,744,000 in relation to the indemnities undertaken by the MS Vendor in relation to the taxation and related expenses arising from the Capital Increase Agreement.

6. Pursuant to the Makerston Agreement, the Compensated Amount is excluded from the calculation of the MS Consideration. If DS Eastin receives the Compensated Amount before the MS Completion Date, the same shall be paid to the MS Vendor by way of the DS Eastin dividend and the MS dividend and/or repayment of the MS Sale Loan.

   For the purposes of this pro forma consolidated statement of financial position, the Compensated Amount of HK$665,952,000 is assumed to be received before the completion of the Makerston Transaction. This adjustment represents the receipt of the Compensated Amount included in debtors, deposits and prepayments by the Makerston Group, and the consequential settlement of the MS Sale Loan of HK$217,725,000 (which is assumed to be settled in full prior to the distribution of the DS Eastin dividend and the MS dividend) and the remaining amount of HK$448,227,000 is assumed to be distributed to the MS Vendor by way of the DS Eastin dividend and the MS dividend.

7. The adjustments in the unaudited pro forma consolidated statement of financial position as at 31st March, 2014, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31st March, 2014 represent estimated acquisition-related costs, including legal and professional fees and transaction costs of approximately HK$4,000,000 paid by the Group. These adjustments are not expected to have continuing effect on the Enlarged Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

8. The adjustments represent the reclassification of amounts due from fellow subsidiaries and advance from/repayment to the immediate holding company of the Makerston Group before the Makerston Transaction which are not fellow subsidiaries of the Enlarged Group or the immediate holding company of Makerston respectively, to creditors, deposits and accrued charges and advance from/repayment to independent third party respectively for the Enlarged Group.

9. Assuming the Makerston Transaction had taken place on 1st April, 2013, interest expense arising from issuance of the MS Note, as described in Note 3, are recognised as follows:

	HK$'000
Interest expense arising from the Makerston Transaction:	
— effective interest expense from the MS Note (13% per annum)	28,210

Pursuant to the Makerston Agreement, 5% coupon payment of the HK$250,000,000 MS Note amounting to HK$12,500,000 will be paid in arrears in the first year after the date of the Makerston Transaction which would be 31st March, 2014 assuming the Makerston Transaction had taken place on 1st April, 2013.

10. The Makerston Group's equity interest in the PRC Company was diluted from 100% to 20% subsequent to the completion of the Capital Increase Agreement on 29th November, 2013. Since the Makerston Transaction is in substance an acquisition of an associate (being the PRC Company), it is considered to provide more meaningful information assuming that the completion of the Capital Increase Agreement had taken place prior to 1st January, 2013, in order to illustrate the share of results and cash flows of the PRC Company as an associate of the Enlarged Group for the year ended 31st December, 2013.

The effects to the pro forma consolidated statement of profit or loss and other comprehensive income and the pro forma consolidated statement of cash flows, assuming the completion of the Capital Increase Agreement prior to 1st January, 2013 are presented below:

Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31/03/2014

	The Enlarged Group after the MS Completion For the year ended 31/03/2014	Further pro forma adjustments in relation to the completion of the Capital Increase Agreement			The Enlarged Group after the MS Completion For the year ended 31/03/2014 assuming the completion of the Capital Increase Agreement prior to 01/01/2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note a	*Note b*	*Note c*	
Turnover					
— Gross proceeds	138,096	(80,075)			58,021
Revenue	115,349	(80,075)			35,274
Hotel operation income	80,075	(80,075)			—
Rental, properties commission and building management fee income	5,250				5,250
Direct cost/Cost of sales and services	(57,574)	57,322			(252)
Gross profit	27,751				4,998
Income from loan financing	26,201				26,201
Net gain on financial instruments	88,312				88,312
Other income, gains and losses	32,045	9,206			41,251
Net decrease in fair value of investment properties	(2,125)				(2,125)
Gain on disposal of an investment property	145,953				145,953
Gain on disposal of a joint venture	69,791				69,791
Gain on disposal of subsidiaries	1,069,898			(656,230)	413,668
Administrative and other expenses	(235,841)	35,938			(199,903)
Finance costs	(92,061)	201			(91,860)
Share of results of joint ventures	(54,537)				(54,537)
Share of results of associates	(36,303)		(3,199)		(39,502)
Profit before taxation	1,039,084				402,247
Taxation	(104,746)	(6,595)		66,744	(44,597)
Profit for the year	934,338				357,650
Profit (loss) for the year attributable to:					
Owners of the Company	934,940	15,997	(3,199)	(589,486)	358,252
Non-controlling interests	(602)				(602)
	934,338				357,650

	The Enlarged Group after the MS Completion For the year ended 31/03/2014	Further pro forma adjustments in relation to the completion of the Capital Increase Agreement			The Enlarged Group after the MS Completion For the year ended 31/03/2014 assuming the completion of the Capital Increase Agreement prior to 01/01/2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note a	*Note b*	*Note c*	
Other comprehensive income (expense)					
Items that may be subsequently reclassified to profit or loss:					
Net gain on fair value changes of available-for-sale investments	48,869				48,869
Reclassification adjustments of translation reserve to profit or loss upon:					
— deregistration of a subsidiary	(1,289)				(1,289)
— loss of control over subsidiaries	(2,383)				(2,383)
Exchange differences arising on translation of foreign operations	2,534				2,534
Exchange difference arising on translation of functional currency to presentation currency	16,732	(20,962)			(4,230)
Share of translation reserve of associates and joint ventures	(2,021)		4,192		2,171
Other comprehensive income for the year	62,442				45,672
Total comprehensive income for the year	996,780				403,322
Total comprehensive income (expense) attributable to:					
Owners of the Company	997,382	(4,965)	993	(589,486)	403,924
Non-controlling interests	(602)				(602)
	996,780				403,322

Pro Forma Consolidated Statement of Cash Flows
For the year ended 31/03/2014

	The Enlarged Group after the MS Completion For the year ended 31/03/2014	Further pro forma adjustments in relation to the completion of the Capital Increase Agreement			The Enlarged Group after the MS Completion For the year ended 31/03/2014 assuming the completion of the Capital Increase Agreement prior to 01/01/2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note a	*Note b*	*Note c*	
Operating activities					
Profit before tax	1,039,084	22,592	(3,199)	(656,230)	402,247
Adjustments for:					
Allowance for doubtful debts	357				357
Depreciation of property, plant and equipment	35,138	(25,385)			9,753
Decrease in fair value of investment properties	2,125				2,125
Fair value gain on derivative financial instrument	(650)				(650)
Finance costs	92,061	(201)			91,860
Gain on disposal of a joint venture	(69,791)				(69,791)
Gain on disposal of an investment property	(145,953)				(145,953)
Gain on disposal of subsidiaries	(1,069,898)			656,230	(413,668)
Impairment loss on investment in convertible note	728				728
Interest income	(3,842)	(15,093)			(18,935)
Loss on disposal of property, plant and equipment, net	25	(23)			2
Net gain on financial instruments	(88,309)				(88,309)
Share-based payments expense	4,258				4,258
Share of results of associates	36,303		3,199		39,502
Share of results of joint ventures	54,537				54,537
Transaction cost in relation to acquisition of subsidiaries	4,000				4,000
Operating cash flows before movements in working capital	(109,827)				(127,937)
Deposit paid for acquisition of leasehold land	(194,010)				(194,010)
Increase in stock of properties	(168)				(168)
Decrease in other loan receivables	42,351				42,351
Increase in debtors, deposits and prepayments	(26,332)	7,000			(19,332)
Increase in financial assets at fair value through profit or loss	(50,441)				(50,441)
Increase in inventories	(158)	82			(76)
Decrease in creditors, deposits and accrued charges	(38,483)	2,499			(35,984)
Increase in amount due to fellow subsidiaries	5,249	(5,249)			—
Cash used in operations	(371,819)				(385,597)
Interest paid	(43,491)				(43,491)
Net cash used in operating activities	(415,310)				(429,088)

	The Enlarged Group after the MS Completion For the year ended 31/03/2014	Further pro forma adjustments in relation to the completion of the Capital Increase Agreement			The Enlarged Group after the MS Completion For the year ended 31/03/2014 assuming the completion of the Capital Increase Agreement prior to 01/01/2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note a	*Note b*	*Note c*	
Investing activities					
Net proceeds from disposal of an investment property	821,113				821,113
Proceeds from disposal of subsidiaries	490,914			(291,073)	199,841
Proceeds from disposal of a joint venture	190,000				190,000
Acquisitions of assets through acquisition of subsidiaries	94,735				94,735
Repayment from associates	53,230				53,230
Refundable earnest money refunded	7,000				7,000
Interest received	2,535	15,093			17,628
Repayment from joint ventures	680				680
Deemed disposal of a subsidiary	39				39
Proceed from disposal of property, plant and equipment	35	(5)			30
Dividend received	3				3
Acquisition of a subsidiary	(55,756)				(55,756)
Advance to joint ventures	(141,944)				(141,944)
Additions to investment properties	(101,040)				(101,040)
Investment in joint venture	(62,326)				(62,326)
Purchase of available-for-sale investments	(57,480)				(57,480)
Investment in an associate	(55,300)				(55,300)
Refund of earnest money received	(25,000)				(25,000)
Purchase of property, plant and equipment	(30,344)	24,171			(6,173)
Advance to associates	(2,110)	(14,093)			(16,203)
Placement of pledged bank deposits	(297,331)	(472)		297,803	—
Settlement of derivative financial instrument	(2,080)				(2,080)
Net cash from investing activities	829,573				860,997
Financing activities					
Repayment and repurchase of loan notes	(206,767)				(206,767)
Repayment of bank borrowings	(159,961)	385			(159,576)
Dividend paid	(120,615)				(120,615)
Repayment of obligations under finance leases	(118)				(118)
Net proceed from issue of shares	33,937				33,937
New bank borrowings raised	10,300				10,300
Interest paid	(19,548)	201			(19,347)
Advance from an independent third party	85,991				85,991
Repayment to an independent third party	(56,027)				(56,027)
Net cash used in financing activities	(432,808)				(432,222)
Net (decrease) increase in cash and cash equivalents	(18,545)	11,502		6,730	(313)
Cash and cash equivalents at the beginning of the year	424,424	(8,257)			416,167
Effect of foreign exchange rate changes	(2,944)	(10,119)			(13,063)
Cash and cash equivalents at the end of the year	402,935	(6,874)		6,730	402,791
Represented by:					
Bank balances and cash	402,935	(6,874)		6,730	402,791

Notes:

a. The adjustment represent the deconsolidation of the results and the cash flows attributable to the PRC Company with reference to the unaudited statement of profit or loss and other comprehensive income and the unaudited statement of cash flows of the PRC Company for the period from 1st January, 2013 to 29th November, 2013, as well as the reinstatement of the previously eliminated intra-group transactions and cash flows between the PRC Company and the other MS Group companies.

b. The adjustments represent the share of loss of HK$3,199,000 and share of other comprehensive income of HK$4,192,000 of the PRC Company as an associate in proportion to approximately 20% of the loss of HK$15,997,000 and other comprehensive income of HK$20,962,000 for the period from 1st January, 2013 to 29th November, 2013, based on the 20% equity interest held by the Makerston Group over the PRC Company, as if the Capital Increase Agreement had taken place prior to 1st January, 2013.

c. The adjustment represents the exclusion of the gain on deemed disposal of the PRC Company, the related capital gains tax, the related proceeds from disposal of subsidiaries and the resulting placement of pledged bank deposits assuming that the completion of the Capital Increase Agreement had taken place prior to 1st January, 2013.

(ii) Scenario II: It is assumed for this scenario that the ES Completion had taken place on 31st March, 2014 for the unaudited pro forma consolidated statement of financial position, and the ES Completion had taken place on 1st April, 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

Pro Forma Consolidated Statement of Financial Position

As at 31/03/2014

	The Group 31/03/2014	The Eagle Spirit Group 30/06/2014	Sub-total	Pro forma adjustments on the acquisition of the Eagle Spirit Group				The Enlarged Group after the ES Completion 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*			*Notes*	*Note 5*	*Note 6*	
Non-current assets								
Property, plant and equipment	230,107	839	230,946					230,946
Investment properties	382,000	—	382,000					382,000
Club debentures	—	520	520					520
Rental deposits	—	16,000	16,000					16,000
Available-for-sale investments	468,393	—	468,393					468,393
Investment in convertible note	28,702	—	28,702					28,702
Interests in joint ventures	528,534	193,725	722,259	(12,197)	*4*			710,062
Amounts due from joint ventures	98,616	299,078	397,694					397,694
Interests in associates	688,399	—	688,399					688,399
Unsecured loans due from associates	112,482	—	112,482					112,482
Other loan receivables	15,287	—	15,287					15,287
Goodwill	—	—	—					—
	2,552,520	510,162	3,062,682					3,050,485
Current assets								
Deposits paid for acquisition of leasehold land	194,010	—	194,010					194,010
Inventories	—	550	550					550
Stock of properties	1,157,755	—	1,157,755					1,157,755
Other loan receivables	253,245	—	253,245					253,245
Debtors, deposits and prepayments	476,805	10,844	487,649			88		487,737
Financial assets at fair value through profit or loss	287,423	—	287,423					287,423
Amounts due from associates	6,711	—	6,711					6,711
Bank balances and cash	470,750	11,502	482,252	(253,807)	*3*		(4,000)	224,445
Amount due from fellow subsidiaries	—	88	88			(88)		—
	2,846,699	22,984	2,869,683					2,611,876

	The Group 31/03/2014	The Eagle Spirit Group 30/06/2014	Sub-total	Pro forma adjustments on the acquisition of the Eagle Spirit Group				The Enlarged Group after the ES Completion 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*			*Notes*	*Note 5*	*Note 6*	
Current liabilities								
Creditors, deposits and accrued charges	775,009	19,262	794,271					794,271
Deposits received for disposal of subsidiaries	350,000	—	350,000					350,000
Tax payables	82,771	—	82,771					82,771
Loan notes — due within one year	224,025	—	224,025					224,025
Obligations under finance leases — due within one year	79	—	79					79
Bank borrowings — due within one year	229,159	—	229,159					229,159
Amount due to immediate holding company	—	36,619	36,619	(36,619)	*4*			—
Amounts due to fellow subsidiaries	—	30,880	30,880			(30,880)		—
Amounts due to independent third parties	—	—	—			30,880		30,880
	1,661,043	86,761	1,747,804					1,711,185
Net current assets (liabilities)	1,185,656	(63,777)	1,121,879					900,691
Total assets less current liabilities	3,738,176	446,385	4,184,561					3,951,176
Non-current liabilities								
Obligations under finance leases — due after one year	196	—	196					196
Deferred tax liabilities	1,382	—	1,382					1,382
Promissory note payable	—	—	—	217,000	*3*			217,000
	1,578	—	1,578					218,578
	3,736,598	446,385	4,182,983					3,732,598
Capital and reserves								
Share capital	6,886	—	6,886					6,886
Share premium	2,488,824	—	2,488,824					2,488,824
Contributed surplus	113,020	—	113,020					113,020
Capital redemption reserve	9,185	—	9,185					9,185
Share-based payment reserve	4,258	—	4,258					4,258
Available for sales investment reserve	81,872	—	81,872					81,872
Special reserve	(8,908)	—	(8,908)					(8,908)
Translation reserve	21,024	—	21,024					21,024
Retained profits	1,021,730	446,385	1,468,115	(446,385)	*4*		(4,000)	1,017,730
Equity attributable to owners of the Company	3,737,891	446,385	4,184,276					3,733,891
Non-controlling interests	(1,293)	—	(1,293)					(1,293)
	3,736,598	446,385	4,182,983					3,732,598

Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31/03/2014

	The Group For the year ended 31/03/2014	The Eagle Spirit Group For the year ended 31/12/2013	Sub-total	Pro forma adjustments on the acquisition of the Eagle Spirit Group		The Enlarged Group after the ES Completion For the year ended 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*		*Note 6*	*Note 7*	
Turnover						
— Gross proceeds	58,021	125,719	183,740			183,740
Revenue	35,274	125,719	160,993			160,993
Hotel operation income	—	125,179	125,179			125,179
Rental, properties commission and building management fee income	5,250	—	5,250			5,250
Direct cost/Cost of sales	(252)	(57,796)	(58,048)			(58,048)
Gross profit	4,998	67,383	72,381			72,381
Income from loan financing	26,201	—	26,201			26,201
Net gain on financial instruments	88,312	—	88,312			88,312
Other income, gains and losses	24,893	30,185	55,078			55,078
Net decrease in fair value of investment properties	(2,125)	—	(2,125)			(2,125)
Gain on disposal of an investment property	145,953	—	145,953			145,953
Gain on disposal of a joint venture	69,791	—	69,791			69,791
Gain on disposal of subsidiaries	413,668	—	413,668			413,668
Administrative and other expenses	(194,489)	(46,912)	(241,401)	(4,000)		(245,401)
Finance costs	(56,737)	(17,303)	(74,040)		(28,210)	(102,250)
Share of results of joint ventures	(54,537)	—	(54,537)			(54,537)
Share of results of associates	(35,080)	—	(35,080)			(35,080)
Profit before taxation	430,848	33,353	464,201			431,991
Taxation	(44,597)	(1,514)	(46,111)			(46,111)
Profit for the year	386,251	31,839	418,090			385,880
Profit (loss) for the year attributable to:						
Owners of the Company	386,853	31,839	418,692	(4,000)	(28,210)	386,482
Non-controlling interests	(602)	—	(602)			(602)
	386,251	31,839	418,090			385,880

	The Group For the year ended 31/03/2014	The Eagle Spirit Group For the year ended 31/12/2013	Sub-total	Pro forma adjustments on the acquisition of the Eagle Spirit Group		The Enlarged Group after the ES Completion For the year ended 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*		*Note 6*	*Note 7*	
Other comprehensive income (expense)						
Items that may be subsequently reclassified to profit or loss:						
Net gain on fair value changes of available-for-sale investments	48,869	—	48,869			48,869
Reclassification adjustments of translation reserve to profit or loss upon:						
— deregistration of a subsidiary	(1,289)	—	(1,289)			(1,289)
— loss of control over subsidiaries	(2,383)	—	(2,383)			(2,383)
Exchange differences arising on translation of foreign operations	2,534	—	2,534			2,534
Share of translation reserve of associates and joint ventures	(2,021)	—	(2,021)			(2,021)
Other comprehensive income for the year	45,710	—	45,710			45,710
Total comprehensive income for the year	431,961	31,839	463,800			431,590
Total comprehensive income (expense) attributable to:						
Owners of the Company	432,563	31,839	464,402	(4,000)	(28,210)	432,192
Non-controlling interests	(602)	—	(602)			(602)
	431,961	31,839	463,800			431,590

Pro Forma Consolidated Statement of Cash Flows

For the year ended 31/03/2014

	The Group For the year ended 31/03/2014	The Eagle Spirit Group For the year ended 31/12/2013	Sub-total	Pro forma adjustments on the acquisition of the Eagle Spirit Group				The Enlarged Group after the ES Completion For the year ended 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Note 3	*Note 5*	*Note 6*	*Note 7*	
Operating activities								
Profit before tax	430,848	33,353	464,201			(4,000)	(28,210)	431,991
Adjustments for:								
Allowance for doubtful debts	357	—	357					357
Depreciation of property, plant and equipment	9,753	12,396	22,149					22,149
Decrease in fair value of investment properties	2,125	—	2,125					2,125
Finance costs	56,737	17,303	74,040				28,210	102,250
Gain on disposal of a joint venture	(69,791)	—	(69,791)					(69,791)
Gain on disposal of an investment property	(145,953)	—	(145,953)					(145,953)
Gain on disposal of subsidiaries	(413,668)	—	(413,668)					(413,668)
Impairment loss on investment in convertible note	728	—	728					728
Interest income	(3,762)	(102)	(3,864)					(3,864)
Loss on disposal of property, plant and equipment, net	2	—	2					2
Net gain on financial instruments	(88,309)	—	(88,309)					(88,309)
Share-based payments expense	4,258	—	4,258					4,258
Share of results of associates	35,080	—	35,080					35,080
Share of results of joint ventures	54,537	—	54,537					54,537
Transaction cost in relation to acquisition of subsidiaries	—	—	—			4,000		4,000
Operating cash flows before movements in working capital	(127,058)	62,950	(64,108)					(64,108)
Deposit paid for acquisition of leasehold land	(194,010)	—	(194,010)					(194,010)
Increase in stock of properties	(168)	—	(168)					(168)
Decrease in other loan receivables	42,351	—	42,351					42,351
Increase in debtors, deposits and prepayments	(17,111)	(2,833)	(19,944)		(1,399)			(21,343)
Increase in financial assets at fair value through profit or loss	(50,441)	—	(50,441)					(50,441)
Decrease in inventories	—	(163)	(163)					(163)
Decrease in creditors, deposits and accrued charges	(34,015)	2,792	(31,223)					(31,223)
Increase in amount due from fellow subsidiaries	—	(1,399)	(1,399)		1,399			—
Cash (used in) from operations	(380,452)	61,347	(319,105)					(319,105)
Interest paid	(43,491)	—	(43,491)					(43,491)
Net cash (used in) from operating activities	(423,943)	61,347	(362,596)					(362,596)

	The Group For the year ended 31/03/2014	The Eagle Spirit Group For the year ended 31/12/2013	Sub-total	Pro forma adjustments on the acquisition of the Eagle Spirit Group				The Enlarged Group after the ES Completion For the year ended 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Note 3	*Note 5*	*Note 6*	*Note 7*	
Investing activities								
Net proceeds from disposal of an investment property	821,113	—	821,113					821,113
Proceeds from disposal of subsidiaries	199,841	—	199,841					199,841
Proceeds from disposal of a joint venture	190,000	—	190,000					190,000
Acquisitions of assets through acquisition of subsidiaries	94,735	—	94,735					94,735
Repayment from associates	53,230	—	53,230					53,230
Refundable earnest money refunded	7,000	—	7,000					7,000
Interest received	2,455	102	2,557					2,557
Repayment from joint ventures	680	—	680					680
Deemed disposal of a subsidiary	39	—	39					39
Proceed from disposal of property, plant and equipment	30	—	30					30
Dividend received	3	—	3					3
Acquisition of a subsidiary	2	—	2	(253,807)		(4,000)		(257,805)
Advance to joint ventures	(141,944)	—	(141,944)					(141,944)
Additions to investment properties	(101,040)	—	(101,040)					(101,040)
Investment in joint venture	(62,326)	—	(62,326)					(62,326)
Purchase of available-for-sale investments	(57,480)	—	(57,480)					(57,480)
Investment in an associate	(55,300)	—	(55,300)					(55,300)
Refund of earnest money received	(25,000)	—	(25,000)					(25,000)
Purchase of property, plant and equipment	(6,173)	(29,535)	(35,708)					(35,708)
Advance to associates	(2,110)	—	(2,110)					(2,110)
Placement of pledged bank deposits	—	(1,737)	(1,737)					(1,737)
Net cash from (used in) investing activities	917,755	(31,170)	886,585					628,778
Financing activities								
Repayment and repurchase of loan notes	(206,767)	—	(206,767)					(206,767)
Repayment of bank borrowings	(151,456)	(435,000)	(586,456)					(586,456)
Dividend paid	(120,615)	—	(120,615)					(120,615)
Repayment of obligations under finance leases	(118)	—	(118)					(118)
Net proceed from issue of shares	33,937	—	33,937					33,937
New bank borrowings raised	10,300	630,000	640,300					640,300
Interest paid	—	(17,403)	(17,403)				(12,500)	(29,903)
Decrease in amount due to fellow subsidiaries	—	(66,874)	(66,874)		66,874			—
Decrease in amount due to independent third parties	—	—	—		(66,874)			(66,874)
Net cash (used in) from financing activities	(434,719)	110,723	(323,996)					(336,496)
Net increase (decrease) in cash and cash equivalents	59,093	140,900	199,993	(253,807)		(4,000)	(12,500)	(70,314)
Cash and cash equivalents at the beginning of the year	415,433	20,306	435,739					435,739
Effect of foreign exchange rate changes	(3,776)	—	(3,776)					(3,776)

	The Group For the year ended 31/03/2014	The Eagle Spirit Group For the year ended 31/12/2013	Sub-total	Pro forma adjustments on the acquisition of the Eagle Spirit Group				The Enlarged Group after the ES Completion For the year ended 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *Note 3*	*HK$'000* *Note 5*	*HK$'000* *Note 6*	*HK$'000* *Note 7*	*HK$'000*
Cash and cash equivalents at the end of the year	470,750	161,206	631,956	(253,807)		(4,000)	(12,500)	361,649
Represented by:								
Bank balances and cash	470,750	161,206	631,956	(253,807)		(4,000)	(12,500)	361,649
Bank balances included in assets classified as held for sale	—	(22,114)	(22,114)					(22,114)
	470,750	139,092	609,842	(253,807)		(4,000)	(12,500)	339,535

Notes to the pro forma financial information

1. The audited consolidated statement of financial position of the Group, the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group are extracted without any adjustments from the audited consolidated financial statements of the Group for the year ended 31st March, 2014.

2. The amounts are extracted from the Accountants' Report of the Eagle Spirit Group as set out in Appendix IIC to the Circular, and represent an adjustment to aggregate the Eagle Spirit Group's consolidated assets and liabilities, consolidated results and consolidated cash flows with those of the Group as at 30th June, 2014 and for the year ended 31st December, 2013 respectively.

3. The adjustments represent considerations assumed to be paid by the Group with respect to the acquisition of (i) the ES Sale Share and (ii) the acceptance of assignment of the ES Sale Loan, (the "**Eagle Spirit Transaction**"), assuming that the ES Completion had taken place on 31st March, 2014. Pursuant to the Eagle Spirit Agreement, the consideration for the acquisition of the ES Sale Share and the ES Sale Loan (the "**ES Consideration**") shall be determined based on the financial information of the Eagle Spirit Group as of the ES Completion Date in accordance with the following formula:

	Pro Forma ES Consideration at 31st March, 2014
	HK$'000
Consideration	530,000
Plus:	
40% of the consolidated Net Current Assets (Liabilities) of More Star Limited ("**More Star**")	(2,035)
Net Current Assets (Liabilities) of Eagle Spirit	312,413
Net Current Assets (Liabilities) of Rosedale Hotel Kowloon Limited ("**Rosedale Kowloon**")	(21,765)
The consolidated Net Current Assets (Liabilities) of Hongkong Macau (International) BVI Limited	(296,662)
The combined Net Current Assets (Liabilities) of Rosy Universe Limited	(18,144)
Total pro forma consideration	503,807

Pursuant to the Eagle Spirit Agreement, the ES Consideration shall not exceed HK$566,000,000. Given the pro forma ES Consideration calculated by the above formula using the financial information of the Eagle Spirit Group as at 30th June, 2014 does not exceed HK$566,000,000, for the purpose of preparation of this pro forma consolidated statement of financial position, the pro forma ES Consideration is assumed to be HK$503,807,000 which will be satisfied by:

(i) HK$250,000,000 by issue of a 5%, 2-year promissory note (the "**ES Note**"); and

(ii) the balance (i.e. HK$253,807,000) in cash.

An analysis of the pro forma fair value of the consideration of the Eagle Spirit Transaction assuming the Eagle Spirit Transaction had taken place on 31st March, 2014 is set out as follows:

	Face value	**Pro forma fair value as at 31st March, 2014**
	HK$'000	*HK$'000*
ES Note	250,000	217,000
Cash consideration	253,807	253,807
Total consideration	503,807	470,807

The ES Note is to be issued by the Company bearing coupon interest at 5% per annum, payable semi-annually in arrears, and with maturity period of 2 years. At initial recognition, the pro forma fair value of the ES Note is estimated based on the valuation report issued by an independent firm of valuers, which is measured at the present value of contractual future cash flows discounted at the effective interest rate of 13% per annum, taking into account the credit standing of the Company and the remaining time to maturity. In terms of the ES Note, the Company has an option to early redeem the ES Note at par plus accrued outstanding interest. In the opinion of the Directors, the fair value of the early redemption is insignificant. The fair value of the ES Note and the early redemption option embedded derivative is subject to change at ES Completion Date.

4. The adjustments represent the pro forma fair value adjustment on the interest in a joint venture on the acquisition of the Eagle Spirit Group, elimination of outstanding reserves of the Eagle Spirit Group and elimination of the ES Sale Loan assigned to the Group, as if the acquisition had taken place on 31st March, 2014. The pro forma fair value of the identifiable assets and liabilities of the Eagle Spirit Group has been based upon management's preliminary estimates and certain assumptions with respect to the assets to be acquired and the liabilities to be assumed. The actual fair values of the assets and liabilities will be determined as of the ES Completion date and may differ materially from the amounts disclosed below because of changes in fair values of the assets and liabilities to the ES Completion date, and as further analysis (including whether additional identifiable intangible assets exist, for which no amounts have been estimated and included in the preliminary amounts shown below) is completed.

Consequently, the final fair value of identifiable assets and liabilities and fair value of the consideration to be recognised in connection with the Eagle Spirit Transaction at the date of ES Completion could be materially different from the estimated amount stated herein. The pro forma fair value adjustments to the identifiable assets and liabilities arising from the acquisition of 100% of the equity interest in the Eagle Spirit Group is calculated as follows:

	HK$'000
Pro forma fair value of consideration *(Note 3)*	470,807
Carrying amount of net assets of the Eagle Spirit Group *(Note 2)*	(446,385)
Pro forma fair value of the ES Sale Loan *(note a)*	(36,619)
Pro forma fair value adjustment on interest in a joint venture	(12,197)

Note:

(a) For the purpose of the unaudited pro forma consolidated statement of financial position, which is prepared solely for illustrative purposes, it is assumed that the pro forma fair values of the identifiable assets, except for the interest in a joint venture, liabilities and contingent liabilities (if any) of the Eagle Spirit Group and the ES Sale Loan being acquired approximate their respective carrying amounts, totalling HK$470,807,000 as at 30th June, 2014, which comprises:

(i) the pro forma fair value of the ES Sale Loan acquired, amounting to HK$36,619,000;

(ii) the pro forma fair value of net identifiable assets, including the pro forma fair value adjustment on the interest in a joint venture of HK$12,197,000, amounting to HK$520,949,000; and

(iii) the pro forma fair value of net identifiable liabilities, amounting to HK$86,761,000.

5. The adjustments represent the reclassification of amounts due from (to) fellow subsidiaries of the Eagle Spirit Group before the Eagle Spirit Transaction, which are not the fellow subsidiaries of the Enlarged Group, to other loan receivables and amounts due to independent third parties in the Enlarged Group.

6. The adjustments in the unaudited pro forma consolidated statement of financial position as at 31st March, 2014, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31st March, 2014 represent estimated acquisition-related costs, including legal and professional fees and transaction costs of approximately HK$4,000,000 payable by the Group. These adjustments are not expected to have continuing effect on the Enlarged Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

7. Assuming the Eagle Spirit Transaction had taken place on 1st April, 2013, interest expense arising from issuance of the ES Note, as described in Note 3, are recognised as follows:

	HK$'000
Interest expense arising from the Eagle Spirit Transaction:	
— effective interest expense from the ES Note (13% per annum)	28,210

Pursuant to the Eagle Spirit Agreement dated 11th April, 2014, 5% coupon payment of the HK$250,000,000 ES Note amounting to HK$12,500,000 is to be paid in arrears in the first year after the date of the Eagle Spirit Transaction which would be 31st March, 2014 assuming the Eagle Spirit Transaction had taken place on 1st April, 2013.

8. For the purpose of the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the pro forma consolidated statement of cash flows, on the same basis as described in note 4, it is assumed that no gain on bargain purchase would arise from the Eagle Spirit Transaction had it been completed on 1st April, 2013.

9. The Eagle Spirit Group had disposed of 60% of the equity interest in More Star (the "**Disposal**") during the six months ended 30th June, 2014. As the major assets acquired under the Eagle Spirit Transaction are the interests in a joint venture and amount due from a joint venture (being the More Star Group), it is considered to provide more meaningful information assuming that the completion of the Disposal had taken place prior to 1st January, 2013, in order to illustrate the share of results and cash flows of the More Star Group as a joint venture of the Enlarged Group for the year ended 31st December, 2013.

The effects to the pro forma consolidated statement of profit or loss and other comprehensive income and the pro forma consolidated statement of cash flows, assuming the completion of the Disposal prior to 1st January, 2013 are presented below:

Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31/03/2014

	The Enlarged Group after the ES Completion For the year ended 31/03/2014	**Further pro forma adjustments in relation to the completion of the Disposal**			**The Enlarged Group after the ES Completion For the year ended 31/03/2014 assuming the completion of the Disposal prior to 01/01/2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note a	*Note b*	*Note c*	
Turnover					
— Gross proceeds	183,740				183,740
Revenue	160,993				160,993
Hotel operation income	125,179				125,179
Rental, properties commission and building management fee income	5,250				5,250
Direct cost/Cost of sales	(58,048)	12,102			(45,946)
Gross profit	72,381				84,483
Income from loan financing	26,201				26,201
Net gain on financial instruments	88,312				88,312
Other income, gains and losses	55,078				55,078
Net decrease in fair value of investment properties	(2,125)				(2,125)
Gain on disposal of an investment property	145,953				145,953
Gain on disposal of a joint venture	69,791				69,791
Gain on disposal of subsidiaries	413,668				413,668
Administrative and other expenses	(245,401)	695		(64,000)	(308,706)
Finance costs	(102,250)	16,883			(85,367)
Share of results of joint ventures	(54,537)		6,838	4,008	(43,691)
Share of results of associates	(35,080)				(35,080)
Profit before taxation	431,991				408,517
Taxation	(46,111)	2,328		10,560	(33,223)
Profit for the year	385,880				375,294
Profit (loss) for the year attributable to:					
Owners of the Company	386,482	32,008	6,838	(49,432)	375,896
Non-controlling interests	(602)				(602)
	385,880				375,294

	The Enlarged Group after the ES Completion For the year ended 31/03/2014	Further pro forma adjustments in relation to the completion of the Disposal			The Enlarged Group after the ES Completion For the year ended 31/03/2014 assuming the completion of the Disposal prior to 01/01/2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note a	*Note b*	*Note c*	
Other comprehensive income (expense)					
Items that may be subsequently reclassified to profit or loss:					
Net gain on fair value changes of available-for-sale investments	48,869				48,869
Reclassification adjustments of translation reserve to profit or loss upon:					
— deregistration of a subsidiary	(1,289)				(1,289)
— loss of control over subsidiaries	(2,383)				(2,383)
Exchange differences arising on translation of foreign operations	2,534				2,534
Share of translation reserve of associates and joint ventures	(2,021)				(2,021)
Other comprehensive income for the year	45,710				45,710
Total comprehensive income for the year	431,590				421,004
Total comprehensive income (expense) attributable to:					
Owners of the Company	432,192	32,008	6,838	(49,432)	421,606
Non-controlling interests	(602)				(602)
	431,590				421,004

Pro Forma Consolidated Statement of Cash Flows
For the year ended 31/03/2014

	The Enlarged Group after the ES Completion For the year ended 31/03/2014	Further pro forma adjustments in relation to the completion of the Disposal			The Enlarged Group after the ES Completion For the year ended 31/03/2014 assuming the completion of the Disposal prior to 01/01/2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note a	*Note b*	*Note c*	
Operating activities					
Profit before tax	431,991	29,680	6,838	(59,992)	408,517
Adjustments for:					
Allowance for doubtful debts	357				357
Depreciation of property, plant and equipment	22,149	(12,102)			10,047
Decrease in fair value of investment properties	2,125				2,125
Finance costs	102,250	(16,883)			85,367
Gain on disposal of a joint venture	(69,791)				(69,791)
Gain on disposal of an investment property	(145,953)				(145,953)
Gain on disposal of subsidiaries	(413,668)				(413,668)
Impairment loss on investment in convertible note	728				728
Interest income	(3,864)				(3,864)
Loss on disposal of property, plant and equipment, net	2				2
Net gain on financial instruments	(88,309)				(88,309)
Share-based payments expense	4,258				4,258
Share of results of associates	35,080				35,080
Share of results of joint ventures	54,537		(6,838)	(4,008)	43,691
Transaction cost in relation to acquisition of subsidiaries	4,000				4,000
Operating cash flows before movements in working capital	(64,108)				(127,413)
Deposit paid for acquisition of leasehold land	(194,010)				(194,010)
Increase in stock of properties	(168)				(168)
Decrease in other loan receivables	42,351				42,351
Increase in debtors, deposits and prepayments	(21,343)	23			(21,320)
Increase in financial assets at fair value through profit or loss	(50,441)				(50,441)
Decrease in inventories	(163)				(163)
Decrease in creditors, deposits and accrued charges	(31,223)	168			(31,055)
Decrease in amount due from a joint venture	—	16,000			16,000
Cash used in operations	(319,105)				(366,219)
Interest paid	(43,491)				(43,491)
Net cash used in operating activities	(362,596)				(409,710)

	The Enlarged Group after the ES Completion For the year ended 31/03/2014	Further pro forma adjustments in relation to the completion of the Disposal			The Enlarged Group after the ES Completion For the year ended 31/03/2014 assuming the completion of the Disposal prior to 01/01/2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note a	*Note b*	*Note c*	
Investing activities					
Net proceeds from disposal of an investment property	821,113				821,113
Proceeds from disposal of subsidiaries	199,841				199,841
Proceeds from disposal of a joint venture	190,000				190,000
Acquisitions of assets through acquisition of subsidiaries	94,735				94,735
Repayment from associates	53,230				53,230
Refundable earnest money refunded	7,000				7,000
Interest received	2,557				2,557
Repayment from joint ventures	680				680
Deemed disposal of a subsidiary	39				39
Proceed from disposal of property, plant and equipment	30				30
Dividend received	3				3
Acquisition of a subsidiary	(257,805)				(257,805)
Advance to joint ventures	(141,944)				(141,944)
Additions to investment properties	(101,040)				(101,040)
Investment in joint venture	(62,326)				(62,326)
Purchase of available-for-sale investments	(57,480)				(57,480)
Investment in an associate	(55,300)				(55,300)
Refund of earnest money received	(25,000)				(25,000)
Purchase of property, plant and equipment	(35,708)	29,127			(6,581)
Advance to associates	(2,110)				(2,110)
Placement of pledged bank deposits	(1,737)	1,737			—
Repayment from a joint venture	—	212,333			212,333
Advance to a joint venture	—	(52,200)			(52,200)
Net cash from investing activities	628,778				819,775
Financing activities					
Repayment and repurchase of loan notes	(206,767)				(206,767)
Repayment of bank borrowings	(586,456)	435,000			(151,456)
Dividend paid	(120,615)				(120,615)
Repayment of obligations under finance leases	(118)				(118)
Net proceed from issue of shares	33,937				33,937
New bank borrowings raised	640,300	(630,000)			10,300
Interest paid	(29,903)	17,003			(12,900)
Decrease in amount due to independent third parties	(66,874)				(66,874)
Net cash used in financing activities	(336,496)				(514,493)
Net (decrease) increase in cash and cash equivalents	(70,314)	29,886		(64,000)	(104,428)
Cash and cash equivalents at the beginning of the year	435,739				435,739
Effect of foreign exchange rate changes	(3,776)				(3,776)
Cash and cash equivalents at the end of the year	361,649	29,886		(64,000)	327,535
Represented by:					
Bank balances and cash	361,649	29,886		(64,000)	327,535
Bank balances included in assets classified as held for sale	(22,114)	22,114			—
	339,535	52,000		(64,000)	327,535

Notes:

a. The adjustments represent the deconsolidation of the results and the cash flows attributable to the More Star Group, with reference to the Financial Information of the More Star Group as set out in Appendix IID to this Circular after consolidation adjustments necessary to consolidate the More Star Group into the Eagle Spirit Group, from the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Eagle Spirit Group for the year ended 31st December, 2013, respectively, as the Eagle Spirit Group had disposed of 60% of the equity interest in More Star during the six months ended 30th June, 2014. The results and cash flows to be deconsolidated can be reconciled to the consolidated statement of profit or loss and other comprehensive income and statement of cash flows respectively, for the year ended 31st December, 2013 as set out in Appendix IID to this Circular with the following consolidation adjustments:

(i) elimination of license income received from Rosedale Kowloon;

(ii) recognition of depreciation of the Property (as defined below);

(iii) reversal of fair value change of investment property; and

(iv) reinstatement of previously eliminated intra-group transactions and cash flows between the More Star Group and the rest of the Eagle Spirit Group and to reflect these transactions and cash flows with the More Star Group as a joint venture of the Enlarged Group.

b. The adjustment represents the share of profit and total comprehensive income of HK$6,838,000, being 40% of the profit and total comprehensive income of HK$17,094,000 of the More Star Group for the year ended 31st December, 2013 as set out in Appendix IID to the Circular as the Eagle Spirit Group holds 40% of the equity interests of More Star from 14th March, 2014, which is being accounted for as a joint venture of the Eagle Spirit Group, as if the Disposal had taken place prior to 1st January, 2013.

c. Pursuant to the SHI Agreement, upon the completion of the Disposal, Rosedale Kowloon would enter into a lease agreement, as the lessee, with Fortress State International Limited, a wholly-owned subsidiary of More Star, to lease a property known as "Rosedale Hotel Kowloon", which is located at No.86 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong (the "**Property**"), for its hotel operation for a term of six years (the "**Master Lease**") and the license fee payable by Rosedale Kowloon comprises monthly base rent and turnover rent. As such, (i) the first year Master Lease base rent of HK$64,000,000 payable by Rosedale Kowloon and its related tax effect, and (ii) the share of results of More Star as a joint venture in relation to the 40% share of the post-tax difference of HK$10,020,000 (i.e. HK$12,000,000 x (1–16.5%)) between the first year Master Lease base rent of HK$64,000,000 and the license income earned from Rosedale Kowloon recorded during the year ended 31st December, 2013 of HK$52,000,000, amounting to HK$4,008,000 had been recognised as if the SHI Agreement had taken place prior to 1st January, 2013. For illustration purpose, HK$64,000,000 being the base rent of the first year of the Master Lease and the related income tax credit of HK$10,560,000, is assumed to be the basis of adjustment without taking into account of the turnover rent.

(iii) Scenario III: It is assumed for this scenario that the MS Completion and the ES Completion had taken place on 31st March, 2014 for the unaudited pro forma consolidated statement of financial position, and the MS Completion and the ES Completion had taken place on 1st April, 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

Pro Forma Consolidated Statement of Financial Position

As at 31/03/2014

	The Group 31/03/2014	The Makerston Group 30/06/2014	The Eagle Spirit Group 30/06/2014	Sub-total	Subtotal of Pro forma adjustments of acquisition of the Makerston Group	Subtotal of Pro forma adjustments of acquisition of the Eagle Spirit Group	Additional Pro forma adjustment for Scenario III	The Enlarged Group after the MS Completion and the ES Completion 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*		*Note 4*	*Note 5*	*Note 6*	
Non-current assets								
Property, plant and equipment	230,107	—	839	230,946				230,946
Investment properties	382,000	—	—	382,000				382,000
Club debentures	—	—	520	520				520
Rental deposits	—	—	16,000	16,000				16,000
Available-for-sale investments	468,393	—	—	468,393				468,393
Investment in convertible note	28,702	—	—	28,702				28,702
Interests in joint ventures	528,534	—	193,725	722,259				722,259
Amounts due from joint ventures	98,616	—	299,078	397,694		(12,197)		385,497
Interests in associates	688,399	263,512	—	951,911	5,249			957,160
Unsecured loans due from associates	112,482	—	—	112,482				112,482
Other loan receivables	15,287	—	—	15,287				15,287
Tax indemnities asset	—	—	—	—	66,744			66,744
	2,552,520	263,512	510,162	3,326,194				3,385,990
Current assets								
Deposits paid for acquisition of leasehold land	194,010	—	—	194,010				194,010
Inventories	—	—	550	550				550
Stock of properties	1,157,755	—	—	1,157,755				1,157,755
Other loan receivables	253,245	—	—	253,245				253,245
Debtors, deposits and prepayments	476,805	665,952	10,844	1,153,601	(665,952)	88		487,737
Financial assets at fair value through profit or loss	287,423	—	—	287,423				287,423
Amounts due from associates	6,711	—	—	6,711				6,711
Bank balances and cash	470,750	61	11,502	482,313	(55,758)	(257,807)	4,000	172,748
Amount due from fellow subsidiaries	—	—	88	88		(88)		—
	2,846,699	666,013	22,984	3,535,696				2,560,179

	The Group 31/03/2014 HK$'000 Note 1	The Makerston Group 30/06/2014 HK$'000 Note 2	The Eagle Spirit Group 30/06/2014 HK$'000 Note 3	Sub-total HK$'000	Subtotal of Pro forma adjustments of acquisition of the Makerston Group HK$'000 Note 4	Subtotal of Pro forma adjustments of acquisition of the Eagle Spirit Group HK$'000 Note 5	Additional Pro forma adjustment for Scenario III HK$'000 Note 6	The Enlarged Group after the MS Completion and the ES Completion 31/03/2014 HK$'000
Current liabilities								
Creditors, deposits and accrued charges	775,009	10	19,262	794,281	54			794,335
Deposits received for disposal of subsidiaries	350,000	—	—	350,000				350,000
Tax payables	82,771	66,744	—	149,515				149,515
Loan notes — due within one year	224,025	—	—	224,025				224,025
Obligations under finance leases — due within one year	79	—	—	79				79
Bank borrowings — due within one year	229,159	—	—	229,159				229,159
Amount due to immediate holding company	—	217,725	36,619	254,344	(217,725)	(36,619)		—
Amounts due to fellow subsidiaries	—	54	30,880	30,934	(54)	(30,880)		—
Amounts due to independent third parties	—	—	—	—		30,880		30,880
	1,661,043	284,533	86,761	2,032,337				1,777,993
Net current assets (liabilities)	1,185,656	381,480	(63,777)	1,503,359				782,186
Total assets less current liabilities	3,738,176	644,992	446,385	4,829,553				4,168,176
Non-current liabilities								
Obligations under finance leases — due after one year	196	—	—	196				196
Deferred tax liabilities	1,382	—	—	1,382				1,382
Promissory note payable	—	—	—	—	217,000	217,000		434,000
	1,578	—	—	1,578				435,578
	3,736,598	644,992	446,385	4,827,975				3,732,598
Capital and reserves								
Share capital	6,886	—	—	6,886				6,886
Share premium	2,488,824	—	—	2,488,824				2,488,824
Contributed surplus	113,020	—	—	113,020				113,020
Capital redemption reserve	9,185	—	—	9,185				9,185
Share-based payment reserve	4,258	—	—	4,258				4,258
Available for sales investment reserve	81,872	—	—	81,872				81,872
Special reserve	(8,908)	—	—	(8,908)				(8,908)
Translation reserve	21,024	(19,144)	—	1,880	19,144			21,024
Retained profit	1,021,730	664,136	446,385	2,132,251	(668,136)	(450,385)	4,000	1,017,730
Equity attributable to owners of the Company	3,737,891	644,992	446,385	4,829,268				3,733,891
Non-controlling interests	(1,293)	—	—	(1,293)				(1,293)
	3,736,598	644,992	446,385	4,827,975				3,732,598

Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31/03/2014

	The Group For the year ended 31/03/2014 HK$'000 Note 1	The Makerston Group For the year ended 31/12/2013 HK$'000 Note 2	The Eagle Spirit Group For the year ended 31/12/2013 HK$'000 Note 3	Sub-total HK$'000	Subtotal of Pro forma adjustments of acquisition of the Makerston Group HK$'000 Note 4	Subtotal of Pro forma adjustments of acquisition of the Eagle Spirit Group HK$'000 Note 5	Additional Pro forma adjustment for Scenario III HK$'000 Note 6	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 HK$'000
Turnover								
— Gross proceeds	58,021	80,075	125,719	263,815				263,815
Revenue	35,274	80,075	125,719	241,068				241,068
Hotel operation income	—	80,075	125,179	205,254				205,254
Rental, properties commission and building management fee income	5,250	—	—	5,250				5,250
Direct cost/Cost of sales and services	(252)	(57,322)	(57,796)	(115,370)				(115,370)
Gross profit	4,998	22,753	67,383	95,134				95,134
Income from loan financing	26,201	—	—	26,201				26,201
Net gain on financial instruments	88,312	—	—	88,312				88,312
Other income, gains and losses	24,893	7,152	30,185	62,230				62,230
Net decrease in fair value of investment properties	(2,125)	—	—	(2,125)				(2,125)
Gain on disposal of an investment property	145,953	—	—	145,953				145,953
Gain on disposal of a joint venture	69,791	—	—	69,791				69,791
Gain on disposal of subsidiaries	413,668	656,230	—	1,069,898				1,069,898
Administrative and other expenses	(194,489)	(37,352)	(46,912)	(278,753)	(4,000)	(4,000)	4,000	(282,753)
Finance costs	(56,737)	(7,114)	(17,303)	(81,154)	(28,210)	(28,210)		(137,574)
Share of results of joint ventures	(54,537)	—	—	(54,537)				(54,537)
Share of results of associates	(35,080)	(1,223)	—	(36,303)				(36,303)
Profit before taxation	430,848	640,446	33,353	1,104,647				1,044,227
Taxation	(44,597)	(60,149)	(1,514)	(106,260)				(106,260)
Profit for the year	386,251	580,297	31,839	998,387				937,967
Profit (loss) for the year attributable to:								
Owners of the Company	386,853	580,297	31,839	998,989	(32,210)	(32,210)	4,000	938,569
Non-controlling interests	(602)	—	—	(602)				(602)
	386,251	580,297	31,839	998,387				937,967

	The Group For the year ended 31/03/2014 HK$'000 Note 1	The Makerston Group For the year ended 31/12/2013 HK$'000 Note 2	The Eagle Spirit Group For the year ended 31/12/2013 HK$'000 Note 3	Sub-total HK$'000	Subtotal of Pro forma adjustments of acquisition of the Makerston Group HK$'000 Note 4	Subtotal of Pro forma adjustments of acquisition of the Eagle Spirit Group HK$'000 Note 5	Additional Pro forma adjustment for Scenario III HK$'000 Note 6	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 HK$'000
Other comprehensive income (expense)								
Items that may be subsequently reclassified to profit or loss:								
Net gain on fair value changes of available-for-sale investments	48,869	—	—	48,869				48,869
Reclassification adjustments of translation reserve to profit or loss upon:								
— deregistration of a subsidiary	(1,289)	—	—	(1,289)				(1,289)
— loss of control over subsidiaries	(2,383)	—	—	(2,383)				(2,383)
Exchange differences arising on translation of foreign operations	2,534	—	—	2,534				2,534
Exchange difference arising on translation of functional currency to presentation currency	—	16,732	—	16,732				16,732
Share of translation reserve of associates and joint ventures	(2,021)	—	—	(2,021)				(2,021)
Other comprehensive income for the year	45,710	16,732	—	62,442				62,442
Total comprehensive income for the year	431,961	597,029	31,839	1,060,829				1,000,409
Total comprehensive income (expense) attributable to:								
Owners of the Company	432,563	597,029	31,839	1,061,431	(32,210)	(32,210)	4,000	1,001,011
Non-controlling interests	(602)	—	—	(602)				(602)
	431,961	597,029	31,839	1,060,829				1,000,409

Pro Forma Consolidated Statement of Cash Flows

For the year ended 31/03/2014

	The Group For the year ended 31/03/2014	The Makerston Group For the year ended 31/12/2013	The Eagle Spirit Group For the year ended 31/12/2013	Sub-total	Subtotal of Pro forma adjustments of acquisition of the Makerston Group	Subtotal of Pro forma adjustments of acquisition of the Eagle Spirit Group	Additional Pro forma adjustment for Scenario III	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*		*Note 4*	*Note 5*	*Note 6*	
Operating activities								
Profit before tax	430,848	640,446	33,353	1,104,647	(32,210)	(32,210)	4,000	1,044,227
Adjustments for:								
Allowance for doubtful debts	357	—	—	357				357
Depreciation of property, plant and equipment	9,753	25,385	12,396	47,534				47,534
Decrease in fair value of investment properties	2,125	—	—	2,125				2,125
Fair value gain on derivative financial instrument	—	(650)	—	(650)				(650)
Finance costs	56,737	7,114	17,303	81,154	28,210	28,210		137,574
Gain on disposal of a joint venture	(69,791)	—	—	(69,791)				(69,791)
Gain on disposal of an investment property	(145,953)	—	—	(145,953)				(145,953)
Gain on disposal of subsidiaries	(413,668)	(656,230)	—	(1,069,898)				(1,069,898)
Impairment loss on investment in convertible note	728	—	—	728				728
Interest income	(3,762)	(80)	(102)	(3,944)				(3,944)
Loss on disposal of property, plant and equipment, net	2	23	—	25				25
Net gain on financial instruments	(88,309)	—	—	(88,309)				(88,309)
Share-based payments expense	4,258	—	—	4,258				4,258
Share of results of associates	35,080	1,223	—	36,303				36,303
Share of results of joint ventures	54,537	—	—	54,537				54,537
Transaction cost in relation to acquisition of subsidiaries	—	—	—	—	4,000	4,000	(4,000)	4,000
Operating cash flows before movements in working capital	(127,058)	17,231	62,950	(46,877)				(46,877)
Deposit paid for acquisition of leasehold land	(194,010)	—	—	(194,010)				(194,010)
Increase in stock of properties	(168)	—	—	(168)				(168)
Decrease in other loan receivables	42,351	—	—	42,351				42,351
Increase in debtors, deposits and prepayments	(17,111)	(3,509)	(2,833)	(23,453)	(5,712)	(1,399)		(30,564)
Increase in financial assets at fair value through profit or loss	(50,441)	—	—	(50,441)				(50,441)
Increase in inventories	—	(158)	(163)	(321)				(321)
Decrease in creditors, deposits and accrued charges	(34,015)	(4,468)	2,792	(35,691)				(35,691)
Increase in amount due from fellow subsidiaries	—	—	(1,399)	(1,399)		1,399		—
Increase (decrease) in amount due to fellow subsidiaries	—	(463)	—	(463)	5,712			5,249
Cash (used in) from operations	(380,452)	8,633	61,347	(310,472)				(310,472)
Interest paid	(43,491)	—	—	(43,491)				(43,491)
Net cash (used in) from operating activities	(423,943)	8,633	61,347	(353,963)				(353,963)

	The Group For the year ended 31/03/2014 HK$'000 Note 1	The Makerston Group For the year ended 31/12/2013 HK$'000 Note 2	The Eagle Spirit Group For the year ended 31/12/2013 HK$'000 Note 3	Sub-total HK$'000	Subtotal of Pro forma adjustments of acquisition of the Makerston Group HK$'000 Note 4	Subtotal of Pro forma adjustments of acquisition of the Eagle Spirit Group HK$'000 Note 5	Additional Pro forma adjustment for Scenario III HK$'000 Note 6	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 HK$'000
Investing activities								
Net proceeds from disposal of an investment property	821,113	—	—	821,113				821,113
Proceeds from disposal of subsidiaries	199,841	291,073	—	490,914				490,914
Proceeds from disposal of a joint venture	190,000	—	—	190,000				190,000
Acquisitions of assets through acquisition of subsidiaries	94,735	—	—	94,735				94,735
Repayment from associates	53,230	—	—	53,230				53,230
Refundable earnest money refunded	7,000	—	—	7,000				7,000
Interest received	2,455	80	102	2,637				2,637
Repayment from joint ventures	680	—	—	680				680
Deemed disposal of a subsidiary	39	—	—	39				39
Proceed from disposal of property, plant and equipment	30	5	—	35				35
Dividend received	3	—	—	3				3
Acquisition of a subsidiary	2	—	—	2	(55,758)	(257,807)	4,000	(309,563)
Advance to joint ventures	(141,944)	—	—	(141,944)				(141,944)
Additions to investment properties	(101,040)	—	—	(101,040)				(101,040)
Investment in joint venture	(62,326)	—	—	(62,326)				(62,326)
Purchase of available-for-sale investments	(57,480)	—	—	(57,480)				(57,480)
Investment in an associate	(55,300)	—	—	(55,300)				(55,300)
Refund of earnest money received	(25,000)	—	—	(25,000)				(25,000)
Purchase of property, plant and equipment	(6,173)	(24,171)	(29,535)	(59,879)				(59,879)
Advance to associates	(2,110)	—	—	(2,110)				(2,110)
Placement of pledged bank deposits	—	(297,331)	(1,737)	(299,068)				(299,068)
Settlement of derivative financial instrument	—	(2,080)	—	(2,080)				(2,080)
Net cash from (used in) investing activities	917,755	(32,424)	(31,170)	854,161				544,596

	The Group For the year ended 31/03/2014 *HK$'000* *Note 1*	The Makerston Group For the year ended 31/12/2013 *HK$'000* *Note 2*	The Eagle Spirit Group For the year ended 31/12/2013 *HK$'000* *Note 3*	Sub-total *HK$'000*	Subtotal of Pro forma adjustments of acquisition of the Makerston Group *HK$'000* *Note 4*	Subtotal of Pro forma adjustments of acquisition of the Eagle Spirit Group *HK$'000* *Note 5*	Additional Pro forma adjustment for Scenario III *HK$'000* *Note 6*	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 *HK$'000*
Financing activities								
Repayment and repurchase of loan notes	(206,767)	—	—	(206,767)				(206,767)
Repayment of bank borrowings	(151,456)	(8,505)	(435,000)	(594,961)				(594,961)
Dividend paid	(120,615)	—	—	(120,615)				(120,615)
Repayment of obligations under finance leases	(118)	—	—	(118)				(118)
Net proceed from issue of shares	33,937	—	—	33,937				33,937
New bank borrowings raised	10,300	—	630,000	640,300				640,300
Interest paid	—	(7,048)	(17,403)	(24,451)	(12,500)	(12,500)		(49,451)
Advance from former immediate holding company	—	85,991	—	85,991	(85,991)			—
Repayment to former immediate holding company	—	(56,027)	—	(56,027)	56,027			—
Decrease in amount due to former fellow subsidiary	—	—	(66,874)	(66,874)		66,874		—
Advance from independent a third party	—	—	—	—	85,991			85,991
Repayment to independent third parties	—	—	—	—	(56,027)	(66,874)		(122,901)
Net cash (used in) from financing activities	(434,719)	14,411	110,723	(309,585)				(334,585)
Net increase (decrease) in cash and cash equivalents	59,093	(9,380)	140,900	190,613	(68,258)	(270,307)	4,000	(143,952)
Cash and cash equivalents at the beginning of the year	415,433	8,991	20,306	444,730				444,730
Effect of foreign exchange rate changes	(3,776)	832	—	(2,944)				(2,944)
Cash and cash equivalents at the end of the year	470,750	443	161,206	632,399	(68,258)	(270,307)	4,000	297,834
Represented by:								
Bank balances and cash	470,750	443	161,206	632,399	(68,258)	(270,307)	4,000	297,834
Bank balances included in assets classified as held for sale	—	—	(22,114)	—				(22,114)
	470,750	443	139,092	632,399	(68,258)	(270,307)	4,000	275,720

Notes to the pro forma financial information

1. The audited consolidated statement of financial position of the Group, the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group are extracted without any adjustments from the audited consolidated financial statements of the Group for the year ended 31st March, 2014.

2. The amounts are extracted from the Accountants' Report of the Makerston Group as set out in Appendix IIA to the Circular, and represent an adjustment to aggregate the Makerston Group's consolidated assets and liabilities, consolidated results and consolidated cash flows with those of the Group as at 30th June, 2014 and for the year ended 31st December, 2013 respectively.

3. The amounts are extracted from the Accountants' Report of the Eagle Spirit Group as set out in Appendix IIC to the Circular, and represent an adjustment to aggregate the Eagle Spirit Group's consolidated assets and liabilities, consolidated results and consolidated cash flows with those of the Group as at 30th June, 2014 and for the year ended 31st December, 2013 respectively.

4. The details of pro forma adjustments on the MS acquisition are set out in Scenario I on pages IV-3 to IV-12.

5. The details of pro forma adjustments on the ES acquisition are set out in Scenario II on pages IV-18 to IV-26.

6. The adjustment represents the reversal of the transaction costs of HK$4,000,000 in relation to the acquisition of the MS Group and the Eagle Spirit Group which has been adjusted for in both Scenarios I and II. The transactions costs remain at HK$4,000,000 in this scenario when both the MS Group and the Eagle Spirit Group have been acquired.

7. The effects to the pro forma consolidated statement of profit or loss and other comprehensive income and the pro forma consolidated statement of cash flows, assuming the completion of the Capital Increase Agreement and the Disposal had taken place prior to 1st January, 2013 are presented below:

Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31/03/2014

	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Capital Increase Agreement *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Disposal *HK$'000*	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 assuming the completion of the Capital Increase Agreement and the Disposal prior to 01/01/2013 *HK$'000*
Turnover				
— Gross proceeds	263,815	(80,075)		183,740
Revenue	241,068	(80,075)		160,993
Hotel operation income	205,254	(80,075)		125,179
Rental, properties commission and building management fee income	5,250			5,250
Direct cost/Cost of sales and services	(115,370)	57,322	12,102	(45,946)
Gross profit	95,134			84,483
Income from loan financing	26,201			26,201
Net gain on financial instruments	88,312			88,312
Other income, gains and losses	62,230	9,206		71,436
Net decrease in fair value of investment properties	(2,125)			(2,125)
Gain on disposal of an investment property	145,953			145,953
Gain on disposal of a joint venture	69,791			69,791
Gain on disposal of subsidiaries	1,069,898	(656,230)		413,668
Administrative and other expenses	(282,753)	35,938	(63,305)	(310,120)
Finance costs	(137,574)	201	16,883	(120,490)
Share of results of joint ventures	(54,537)		10,846	(43,691)
Share of results of associates	(36,303)	(3,199)		(39,502)
Profit before taxation	1,044,227			383,916
Taxation	(106,260)	60,149	12,888	(33,223)
Profit for the year	937,967			350,693
Profit (loss) for the year attributable to:				
Owners of the Company	938,569	(576,688)	(10,586)	351,295
Non-controlling interests	(602)			(602)
	937,967			350,693

	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Capital Increase Agreement *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Disposal *HK$'000*	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 assuming the completion of the Capital Increase Agreement and the Disposal prior to 01/01/2013 *HK$'000*
Other comprehensive income (expense)				
Items that may be subsequently reclassified to profit or loss:				
Net gain on fair value changes of available-for-sale investments	48,869			48,869
Reclassification adjustments of translation reserve to profit or loss upon:				
— deregistration of a subsidiary	(1,289)			(1,289)
— loss of control over subsidiaries	(2,383)			(2,383)
Exchange differences arising on translation of foreign operations	2,534			2,534
Exchange difference arising on translation of functional currency to presentation currency	16,732	(20,962)		(4,230)
Share of translation reserve of associates and joint ventures	(2,021)	4,192		2,171
Other comprehensive income for the year	62,442			45,672
Total comprehensive income for the year	1,000,409			396,365
Total comprehensive income (expense) attributable to:				
Owners of the Company	1,001,011	(593,458)	(10,586)	396,967
Non-controlling interests	(602)			(602)
	1,000,409			396,365

Pro Forma Consolidated Statement of Cash Flows

For the year ended 31/03/2014

	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Capital Increase Agreement *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Disposal *HK$'000*	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 assuming the completion of the Capital Increase Agreement and the Disposal prior to 01/01/2013 *HK$'000*
Operating activities				
Profit before tax	1,044,227	(636,837)	(23,474)	383,916
Adjustments for:				
Allowance for doubtful debts	357			357
Depreciation of property, plant and equipment	47,534	(25,385)	(12,102)	10,047
Decrease in fair value of investment properties	2,125			2,125
Fair value gain on derivative financial instrument	(650)			(650)
Finance costs	137,574	(201)	(16,883)	120,490
Gain on disposal of a joint venture	(69,791)			(69,791)
Gain on disposal of an investment property	(145,953)			(145,953)
Gain on disposal of subsidiaries	(1,069,898)	656,230		(413,668)
Impairment loss on investment in convertible note	728			728
Interest income	(3,944)	(15,093)		(19,037)
Loss on disposal of property, plant and equipment, net	25	(23)		2
Net gain on financial instruments	(88,309)			(88,309)
Share-based payments expense	4,258			4,258
Share of results of associates	36,303	3,199		39,502
Share of results of joint ventures	54,537		(10,846)	43,691
Transaction cost in relation to acquisition of subsidiaries	4,000			4,000
Operating cash flows before movements in working capital	(46,877)	(18,110)	(63,305)	(128,292)
Deposit paid for acquisition of leasehold land	(194,010)			(194,010)
Increase in stock of properties	(168)			(168)
Decrease in other loan receivables	42,351			42,351
Increase in debtors, deposits and prepayments	(30,564)	7,000	23	(23,541)
Increase in financial assets at fair value through profit or loss	(50,441)			(50,441)
Increase in inventories	(321)	82		(239)
Decrease in creditors, deposits and accrued charges	(35,691)	2,499	168	(33,024)
Increase in amount due to fellow subsidiaries	5,249	(5,249)		—
Decrease in amount due from a joint venture	—		16,000	16,000
Cash used in operations	(310,472)			(371,364)
Interest paid	(43,491)			(43,491)
Net cash used in operating activities	(353,963)			(414,855)

	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Capital Increase Agreement *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Disposal *HK$'000*	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 assuming the completion of the Capital Increase Agreement and the Disposal prior to 01/01/2013 *HK$'000*
Investing activities				
Net proceeds from disposal of an investment property	821,113			821,113
Proceeds from disposal of subsidiaries	490,914	(291,073)		199,841
Proceeds from disposal of a joint venture	190,000			190,000
Acquisitions of assets through acquisition of subsidiaries	94,735			94,735
Repayment from associates	53,230			53,230
Refundable earnest money refunded	7,000			7,000
Interest received	2,637	15,093		17,730
Repayment from joint ventures	680			680
Deemed disposal of a subsidiary	39			39
Proceed from disposal of property, plant and equipment	35	(5)		30
Dividend received	3			3
Acquisition of a subsidiary	(309,563)			(309,563)
Advance to joint ventures	(141,944)			(141,944)
Additions to investment properties	(101,040)			(101,040)
Investment in joint venture	(62,326)			(62,326)
Purchase of available-for-sale investments	(57,480)			(57,480)
Investment in an associate	(55,300)			(55,300)
Refund of earnest money received	(25,000)			(25,000)
Purchase of property, plant and equipment	(59,879)	24,171	29,127	(6,581)
Advance to associates	(2,110)	(14,093)		(16,203)
Placement of pledged bank deposits	(299,068)	297,331	1,737	—
Settlement of derivative financial instrument	(2,080)			(2,080)
Repayment from a joint venture	—		212,333	212,333
Advance to a joint venture	—		(52,200)	(52,200)
Net cash from investing activities	544,596			767,017

	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Capital Increase Agreement *HK$'000*	Subtotal of further pro forma adjustments in relation to the completion of the Disposal *HK$'000*	The Enlarged Group after the MS Completion and the ES Completion For the year ended 31/03/2014 assuming the completion of the Capital Increase Agreement and the Disposal prior to 01/01/2013 *HK$'000*
Financing activities				
Repayment and repurchase of loan notes	(206,767)			(206,767)
Repayment of bank borrowings	(594,961)	385	435,000	(159,576)
Dividend paid	(120,615)			(120,615)
Repayment of obligations under finance leases	(118)			(118)
Net proceed from issue of shares	33,937			33,937
New bank borrowings raised	640,300		(630,000)	10,300
Interest paid	(49,451)	201	17,003	(32,247)
Advance from independent a third party	85,991			85,991
Repayment to independent third parties	(122,901)			(122,901)
Net cash used in financing activities	(334,585)			(511,996)
Net (decrease) increase in cash and cash equivalents	(143,952)	18,232	(34,114)	(159,834)
Cash and cash equivalents at the beginning of the year	444,730	(8,257)		436,473
Effect of foreign exchange rate changes	(2,944)	(10,119)		(13,063)
Cash and cash equivalents at the end of the year	297,834	(144)	(34,114)	263,576
Represented by:				
Bank balances and cash	297,834	(144)	(34,114)	263,576
Bank balances included in assets classified as held for sale	(22,114)		22,114	—
	275,720	(144)	(12,000)	263,576

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF ITC PROPERTIES GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of ITC Properties Group 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 statement of financial position as at 31st March, 2014, the pro forma consolidated statement of profit or loss, the pro forma consolidated statement of profit or loss and other comprehensive income, the pro forma consolidated statement of cash flows for the year ended 31st March, 2014 and related notes as set out on pages IV-3 to IV-44 of the circular issued by the Company dated 10th November, 2014 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages IV-1 to IV-2 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of Makerston Limited and/or Eagle Spirit Holdings Limited on the Group's financial position as at 31st March, 2014 and the Group's financial performance and cash flows for the year ended 31st March, 2014 as if the transactions had taken place on 31st March, 2014 and 1st April, 2013 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31st March, 2014, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

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

Reporting Accountant's 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 ("**HKSAE**") 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 AG 7 issued by the HKICPA.

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or 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 event or transaction at 31st March, 2014 or 1st April, 2013 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 event or 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.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or 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 purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10th November, 2014

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company and/or their respective close associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the Shares

Name of Director	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(%)*
Mr. Cheung	Long position	Beneficial owner	45,273,481	5.94
Mr. Chan FY	Long position	Beneficial owner	2,650,000	0.35
Mr. Cheung Chi Kit	Long position	Beneficial owner	2,100,000	0.28
Mr. Chan YL	Long position	Beneficial owner	1,685,913	0.22
Mr. Wong Chi Keung, Alvin	Long position	Beneficial owner	500,000	0.07
Mr. Kwok	Long position	Beneficial owner	440,000	0.06

(ii) Interests in the share options of the Company

Name of Director	Date of grant	Option period	Exercise price per Share *HK$*	Number of share options	Approximate percentage of the issued share capital of the Company *(%)*
Mr. Cheung	17th October, 2013	17th October, 2013 – 16th October, 2017	3.00	1,400,000	0.18
Mr. Chan FY	17th October, 2013	17th October, 2013 – 16th October, 2017	3.00	1,050,000	0.14
Mr. Cheung Chi Kit	17th October, 2013	17th October, 2013 – 16th October, 2017	3.00	1,500,000	0.20
Mr. Chan YL	17th October, 2013	17th October, 2013 – 16th October, 2017	3.00	1,500,000	0.20
Mr. Shek	17th October, 2013	17th October, 2013 – 16th October, 2017	3.00	370,000	0.05
Mr. Wong Chi Keung, Alvin	17th October, 2013	17th October, 2013 – 16th October, 2017	3.00	130,000	0.02
Mr. Kwok	17th October, 2013	17th October, 2013 – 16th October, 2017	3.00	130,000	0.02
				6,080,000	

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or their respective close associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 5% 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 members of the Group or had any option in respect of such capital:

(i) Interests in the Shares

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(%)*
Selective Choice Investments Limited ("**Selective Choice**")	Long position	Beneficial owner	237,210,438 *(Note 1)*	31.12
ITC Investment Holdings Limited ("**ITC Investment**") *(Note 4)*	Long position	Interest of controlled corporation	237,210,438 *(Note 1)*	31.12
ITCC *(Notes 4 and 5)*	Long position	Interest of controlled corporation	237,210,438 *(Note 1)*	31.12
Dr. Chan Kwok Keung, Charles ("**Dr. Chan**")	Long position	Interest of controlled corporation	237,210,438 *(Note 3)*	31.12
	Long position	Beneficial owner	6,818,284 *(Note 3)*	0.89
	Long position	Interest of spouse	158,806,329 *(Note 3)*	20.84
			402,835,051	52.85
Fortune Crystal Holdings Limited ("**Fortune Crystal**")	Long position	Beneficial owner	158,806,329 *(Note 2)*	20.84
Record High Enterprises Limited ("**Record High**")	Long position	Interest of controlled corporation	158,806,329 *(Note 2)*	20.84
Ms. Ng Yuen Lan, Macy ("**Ms. Ng**")	Long position	Interest of controlled corporation	158,806,329 *(Note 2)*	20.84
	Long position	Interest of spouse	244,028,722 *(Note 3)*	32.02
			402,835,051	52.85

Notes:

1. Selective Choice owned 237,210,438 Shares and was a wholly-owned subsidiary of ITC Investment, which in turn was a wholly-owned subsidiary of ITCC. Accordingly, ITC Investment and ITCC were deemed to be interested in 237,210,438 Shares which were held by Selective Choice.

2. Fortune Crystal owned 158,806,329 Shares and was a wholly-owned subsidiary of Record High, which in turn was wholly-owned by Ms. Ng. As such, Record High and Ms. Ng were deemed to be interested in 158,806,329 Shares which were held by Fortune Crystal.

3. Dr. Chan was the controlling shareholder of ITCC. Ms. Ng is the spouse of Dr. Chan. Dr. Chan beneficially owned 6,818,284 Shares and was deemed to be interested in 237,210,438 Shares held by Selective Choice and 158,806,329 Shares held by Fortune Crystal. Ms. Ng was also deemed to be interested in 6,818,284 Shares beneficially held by Dr. Chan and 237,210,438 Shares held by Selective Choice.

4. Mr. Chan CY, the managing Director and an executive Director, is an executive director of ITCC and a director of Selective Choice and ITC Investment.

5. Mr. Chan YL, an executive Director, is an executive director of ITCC and the son of Dr. Chan and Ms. Ng; and Mr. Shek, the vice chairman of the Company and an independent non-executive Director, is an independent non-executive director of ITCC.

(ii) Other members of the Group

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) were, 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 the other members of the Group:

Name of subsidiary	**Name of shareholder**	**Approximate percentage of the existing issued share capital/ registered capital** *(%)*
Fame State Investment Limited	Le Truong Hien Hoa	20
	Chan Siu Chi	10
Forever Fame Corporation Limited	Le Truong Hien Hoa	20
	Chan Siu Chi	10

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 5% 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 members of the Group or held any option in respect of such capital.

3. COMPETING INTERESTS

As at the Latest Practicable Date, interests of a Director and his close associates in competing businesses of the Group were as follows:

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	Rosedale and its subsidiaries	Property business and hotel operation in Hong Kong and the PRC	As the chairman and an executive director
	China Development Limited	Property investment in Hong Kong	As a director and shareholder
	Artnos Limited	Property investment in Hong Kong	As a director and shareholder
	Co-Forward Development Ltd.	Property investment in Hong Kong	As a director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	As a director and shareholder
	Super Time Limited	Property investment in Hong Kong	As a director and shareholder
	Asia City Holdings Ltd.	Property investment in Hong Kong	As a director and shareholder
	Supreme Best Ltd.	Property investment in Hong Kong	As a shareholder
	Orient Holdings Limited	Property investment in Hong Kong	As a director and shareholder
	Link Treasure International Limited	Property investment in Hong Kong	As a director and beneficial shareholder
	Silver City Limited	Property investment in Hong Kong	As a director and shareholder
	Cosmo Luck Limited	Property investment in Hong Kong	As a beneficial shareholder
	Ocean Region Limited	Property investment in Hong Kong	As a beneficial shareholder

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	Treasure Avenue Limited	Property investment in Hong Kong	As a beneficial shareholder
	Kun Hang Construction Limited	Property investment in Macau	As a director and shareholder
	City Corporation Ltd.	Property investment in Hong Kong	As a shareholder
	Ready Access Limited	Property investment in Hong Kong	As a beneficial shareholder
	Big Gold Limited	Property investment in Hong Kong	As a beneficial shareholder
	Hegel Trading Limited	Property investment in Hong Kong	As a beneficial shareholder
	Estate Dynamics Limited	Property investment in Macau	As a non-voting shareholder
	Wickford Global Limited	Property investment in Macau	As a non-voting shareholder
	Clever Eagle Limited	Property investment in Hong Kong	As a director and beneficial shareholder
	Big Idea Holdings Limited	Property investment in Macau	As a non-voting shareholder
	Harvest Easy Limited	Property investment in Hong Kong	As a director and beneficial shareholder

Mr. Cheung is the chairman of the Company and an executive Director who is principally responsible for the Group's strategic planning and management of the operations of the Board. His role is clearly separated from that of the managing director of the Company, Mr. Chan FY, who is principally responsible for the Group's operation and business development.

In addition, any significant business decision of the Group is to be determined by the Board. A Director who has interest in the subject matter being resolved will abstain from voting. In view of the above, the Board considers that the interests of Mr. Cheung in other companies will not prejudice his capacity as a Director or compromise the interests of the Enlarged Group and the Shareholders.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

4. OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31st March, 2014 (being the date to which the latest published audited accounts of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

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

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation). Also, their remuneration and benefit in kind receivable will not be directly varied in consequence of any acquisition by the Group.

6. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into by the members of the Group within the two (2) years immediately preceding the Latest Practicable Date and which are or may be material:

(a) the sale and purchase agreement dated 23rd November, 2012 entered into between Oriental Mind Limited ("**Oriental Mind**") as vendor, an indirect wholly-owned subsidiary of the Company, and Angel Moon Limited as purchaser in relation to the disposal of 40% of the equity interest in Sea Orient Limited ("**Sea Orient**") and the shareholder's loans due from Sea Orient to Oriental Mind for an aggregate consideration of HK$210.0 million;

(b) the provisional agreement for sale and purchase dated 28th December, 2012 entered into between Castle Win International Limited, an indirect wholly-owned subsidiary of the Company, as vendor and Smart Tide Limited as purchaser in relation to the disposal of the entire interest in a property located at Nos. 703 and 705, Nathan Road, Mongkok, Kowloon, Hong Kong at a purchase price of HK$830.0 million;

(c) the agreement for sale and purchase dated 5th September, 2013 entered into between Red Treasure Limited as vendor and Cheery Paradise Company Limited, an indirect wholly-owned subsidiary of the Company, as purchaser in relation to the acquisition of further 20% of the issued share capital of Expert Dragon Limited ("**Expert**

Dragon") at the consideration of approximately HK$55.3 million, resulting in that upon completion, the Company increased its guarantee of the total liabilities due by Land Express (Golden Centre) Limited, a direct wholly-owned subsidiary of Expert Dragon, under the term loan facility in the principal amount of up to HK$240.0 million granted by Industrial and Commercial Bank of China (Asia) Limited from 30% to 50%;

(d) the bid confirmation (掛牌出讓成交確認書) dated 6th December, 2013 signed by Pioneer Future Investment Limited ("**Pioneer Future**"), an indirect wholly-owned subsidiary of the Company, with Hainan South Auction Market Limited (海南南部拍賣市場有限公司) confirming the successful acquisition of the land use rights of the land situated inside Cyber Park, Sanya City, Hainan Province, the PRC (the "**Sanya Land**") by Pioneer Future at the consideration of RMB258.8 million (equivalent to approximately HK$332.3 million);

(e) the land grant contract (國有建設用地使用權出讓合同) dated 12th December, 2013 entered into between Sanya Land Resources Bureau (三亞市國土環境資源局) as transferor and 三亞創新產業開發有限公司, a direct wholly-owned subsidiary of Pioneer Future, as transferee in relation to the acquisition of the Sanya Land at the consideration of RMB258.8 million (equivalent to approximately HK$332.3 million);

(f) the agreement dated 18th February, 2014 (the "**Golf Agreement**") entered into among the Company as guarantor of the vendor, ITC Properties (PRC) Limited ("**ITCP (PRC)**"), an indirect wholly-owned subsidiary of the Company, as vendor and Kang Cheng Holdings Limited ("**Kang Cheng**") as purchaser in relation to the disposal of 33.7% of the issued share capital of Sanya Golf & Leisure Group Limited (formerly known as ITC Golf & Leisure Group Limited) ("**Sanya Golf**") at the consideration of HK$200.0 million with (i) a call option (the "**Call Option**") to be exercised at the discretion of Kang Cheng on or before 30th April, 2014 to purchase further 46.3% of the issued share capital of Sanya Golf at the consideration of HK$250.0 million; and (ii) upon the completion of the sale and purchase of the interest under the Call Option, a put option to be granted to and exerciseable at the discretion of ITCP (PRC) during the period commencing on the first anniversary date of the Golf Agreement and ending on the second anniversary of the date of the Golf Agreement to sell the remaining 20% of the issued share capital of Sanya Golf to Kang Cheng at the consideration of HK$112.5 million;

(g) the Makerston Agreement;

(h) the Eagle Spirit Agreement;

(i) the instrument of transfer dated 29th April, 2014 entered into between ITCP (PRC) as vendor and Kang Cheng as purchaser in relation to the disposal of further 46.3% of the issued share capital of Sanya Golf at a consideration of HK$250.0 million upon exercise of the Call Option pursuant to the Golf Agreement;

(j) the Makerston Extension Letter; and

(k) the Eagle Spirit Extension Letter.

7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any members of the Enlarged Group.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
Asset Appraisal Limited	Professional valuer
Deloitte Touche Tohmatsu	Certified Public Accountants

The experts listed above have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of its letter and references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts listed above have any shareholding, directly or indirectly, in any members of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Enlarged Group.

As at the Latest Practicable Date, none of the experts listed above have any direct or indirect interests in any assets which had been, since 31st March, 2014 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any members of the Enlarged Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong during normal business hours from 9:30 a.m. to 12:30 p.m. and 2:00 p.m. to 5:00 p.m. on any weekdays other than public holidays, from the date of this circular and up to and including the date of the SGM (both dates inclusive):

— the memorandum of association and the bye-laws of the Company;

— the annual reports of the Company for each of the two financial years ended 31st March, 2013 and 2014;

— the accountants' reports on the Makerston Group, the PRC Company, the Eagle Spirit Group and the More Star Group for the three years ended 31st December, 2013 and the six months ended 30th June, 2014, the text of which is set out in Appendix IIA, Appendix IIB, Appendix IIC and Appendix IID to this circular;

— the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

— the valuation reports on the TKT Hotel and the Beijing Hotel, the text of which is set out in Appendix III to this circular;

— the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix;

— the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

— this circular.

10. GENERAL

— The company secretary of the Company is Ms. Chan Siu Mei. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

— The registered office of the Company is at Clarendon House, Church Street, Hamilton, HM 11, Bermuda.

— The Company's principal place of business in Hong Kong is situated at Unit 3102, 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

— The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

— The English text of this circular, the notice of the SGM and the accompanying form of proxy prevail over their respective Chinese text.

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

NOTICE IS HEREBY GIVEN that the special general meeting (the "**Meeting**") of **ITC Properties Group Limited** (the "**Company**") will be held at Gemini Room, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong, on Monday, 1st December, 2014 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**

(a) the sale and purchase agreement dated 11th April, 2014 (the "**Makerston Agreement**") (as supplemented on 23rd September, 2014 by an extension letter) entered into between Silver Infinite Limited (the "**Purchaser**"), a direct wholly-owned subsidiary of the Company, Rosedale Hotel Group Limited (the "**MS Vendor**"), the Company as the Purchaser's guarantor and Rosedale Hotel Holdings Limited ("**Rosedale**") as the MS Vendor's guarantor (a copy of which signed by the chairman of the Meeting for the purpose of identification, has been produced to the meeting marked "**A**") pursuant to which the Purchaser shall purchase and accept the assignment of, and the MS Vendor shall sell and assign, the entire issued share capital of Makerston Limited ("**Makerston**") and the shareholder's loan due by Makerston to the MS Vendor at a maximum consideration of HK$324 million, the terms and conditions thereof and the transactions contemplated thereunder, including the issue by the Company of a 5% 2-year promissory note in the principal amount of HK$250 million (the "**MS Note**"), be and are hereby approved, confirmed and ratified; and

(b) the board of the directors of the Company (the "**Board**") be and is hereby authorised to do all such acts and things and sign all such documents and to take such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Makerston Agreement and the transactions contemplated thereunder including the issue of the MS Note, and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interests of the Company.

* *For identification purpose only*

(2) **THAT**

(a) the sale and purchase agreement dated 11th April, 2014 (the "**Eagle Spirit Agreement**") (as supplemented on 23rd September, 2014 by an extension letter) entered into between the Purchaser, Easy Vision Holdings Limited (the "**ES Vendor**"), the Company as the Purchaser's guarantor and Rosedale as the ES Vendor's guarantor (a copy of which signed by the chairman of the Meeting for the purpose of identification, has been produced to the meeting marked "**B**") pursuant to which the Purchaser shall purchase and accept the assignment of, and the ES Vendor shall sell and assign, the entire issued share capital of Eagle Spirit Holdings Limited ("**Eagle Spirit**") and the shareholder's loan due by Eagle Spirit to the ES Vendor at a maximum consideration of HK$566 million, the terms and conditions thereof and the transactions contemplated thereunder, including the issue by the Company of a 5% 2-year promissory note in the principal amount of HK$250 million (the "**ES Note**"), be and are hereby approved, confirmed and ratified; and

(b) the Board be and is hereby authorised to do all such acts and things and sign all such documents and to take such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Eagle Spirit Agreement and the transactions contemplated thereunder including the issue of the ES Note, and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interests of the Company."

By order of the Board
ITC Properties Group Limited
Chan Siu Mei
Company Secretary

Hong Kong, 10th November, 2014

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 3102, 31st Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the Meeting may appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either a shareholder of the Company who is an individual or a shareholder of the Company which is a corporation shall be entitled to exercise the same power on behalf of the shareholder of the Company which he or they represent as such shareholder of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting thereof at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.

4. Completion and return of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the Meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

5. 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 share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the directors of the Company are:

Executive directors:
Mr. Cheung Hon Kit *(Chairman)*
Mr. Chan Fut Yan *(Managing Director)*
Mr. Cheung Chi Kit
Mr. Chan Yiu Lun, Alan

Independent non-executive directors:
Hon. Shek Lai Him, Abraham, *GBS, JP (Vice Chairman)*
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva