THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Rosedale Hotel Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or the transferee, or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Rosedale

Rosedale Hotel Holdings Limited

珀麗酒店控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DEEMED DISPOSAL OF INTEREST IN ROSEDALE HOTEL BEIJING CO., LTD.

Terms used in this cover page have the same meanings as defined in this circular.

A notice convening the SGM to be held at Gemini Room, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Tuesday, 13 August 2013 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM or any adjournment thereof (as the case may be) is enclosed with this circular. Whether or not you intend to attend the SGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for 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.

26 July 2013

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

"BEA China"	Beijing branch of The Bank of East Asia (China) Limited
"BEA China Loan"	the amount due by Rosedale Beijing to BEA China
"BEA Hong Kong"	The Bank of East Asia, Limited
"BEA Hong Kong Loan"	the amount due by DS Eastin to BEA Hong Kong
"Board"	the board of Directors
"Business Day(s)"	day(s) (excluding Saturday, Sunday or other statutory holidays) on which banks in Hong Kong and the PRC are open for general business
"Capital Increase Agreement"	the conditional capital increase agreement dated 31 May 2013 entered into between DS Eastin, the Investor, Rosedale Beijing and the Company in relation to, amongst other things, the Capital Injection
"Capital Injection"	the proposed capital contribution by the PRC Investor in the amount of US$68.8 million (representing approximately HK$533.9 million) to the registered capital of Rosedale Beijing pursuant to the Capital Increase Agreement
"Company"	Rosedale Hotel Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1189)
"Compensated Amount"	the amount of compensation to be paid by the Investor to DS Eastin in accordance with the Capital Increase Agreement
"Completion"	the payment of the balance of the Capital Injection and the execution of the Share Pledge and ancillary documents by the PRC Investor on the Completion Date in accordance with terms and conditions of the Capital Increase Agreement

"Completion Date"	the date on which the PRC Investor is required to pay up the remaining balance of the Capital Injection, being the third Business Day after the fulfillment or waiver, as the case may be, of the conditions precedent (b) to (d) in the paragraph headed "Conditions" of this circular (subject to condition (a) remaining fulfilled or waived)
"Completion Accounts"	the audited financial statements of Rosedale Beijing for the period from 1 January 2013 to the Completion Date in accordance with the generally accepted accounting principles in the PRC
"Deemed Disposal"	the deemed disposal of the Company's interest in Rosedale Beijing as a result of the Capital Injection
"Director(s)"	director(s) of the Company
"DS Eastin"	DS Eastin Limited, a company incorporated in Hong Kong with limited liability and was beneficially owned as to approximately 88.7% by the Company as at the Latest Practicable Date
"DS Eastin Loan"	the shareholder's loans owing by Rosedale Beijing to DS Eastin, which have been registered as foreign debt and interest accrued thereon
"Extension"	the extension of the Property as approved by the Beijing Municipal Commission of Urban Planning in January 2013
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	parties which are independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
"Investor"	China Private Ventures Ltd., a company incorporated in the British Virgin Islands with limited liability

"Land"	the land use rights at No. 8, Jiang Tai Road West, Chao Yang District, Beijing, the PRC under land title certificate (京朝國用(2011出)第00112號)
"Latest Practicable Date"	25 July 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Net Current Assets"	the current assets less total liabilities (excluding the DS Eastin Loan and the BEA China Loan) of Rosedale Beijing on the Completion Date
"PRC"	the People's Republic of China, which, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Investor"	北京浩洋房地產開發有限公司 (Beijing Haoyang Real Estate Development Limited*), a company incorporated in the PRC with limited liability and is a subsidiary of the Investor
"Property"	the Land and the buildings thereon now known as Rosedale Hotel & Suites, Beijing
"Related Parties"	holding company, subsidiary or fellow subsidiary
"Remaining Group"	the Group excluding Rosedale Beijing
"Residual Capital"	the residual capital from the Capital Injection after the final settlement of the DS Eastin Loan and the BEA China Loan
"Rosedale Beijing"	Rosedale Hotel Beijing Co., Ltd., a wholly foreign-owned enterprise established in the PRC, which is a wholly-owned subsidiary of DS Eastin

* *For identification purpose only*

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting to be convened and held by the Company for the Shareholders to consider and, if thought fit, approve the Capital Increase Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Share Pledge"	the share pledge of 50% of the equity interest in Rosedale Beijing to be executed by the PRC Investor on the Completion Date as security for the payment of the Compensated Amount
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the joint venture agreement to be entered into between the PRC Investor and DS Eastin
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of United States of America
"%"	per cent.

For illustration purpose only, sums in US$, HK$ and RMB in this circular are translated at the exchange rates of US$1 = HK$7.76, RMB1 = HK$1.26 and US$1 = RMB6.18 respectively. No representation is made that any amount in the respective currencies could have been converted at any particular rate at all.

Rosedale Hotel Holdings Limited
珀麗酒店控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

Executive Directors:
Mr. Cheung Hon Kit *(Chairman)*
Ms. Chan Ling, Eva *(Managing Director)*
Mr. Chan Pak Cheung, Natalis

Independent non-executive Directors:
Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
31st Floor
Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

26 July 2013

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DEEMED DISPOSAL OF INTEREST IN ROSEDALE HOTEL BEIJING CO., LTD.

INTRODUCTION

The Company announced on 5 June 2013, DS Eastin, the Investor, Rosedale Beijing and the Company entered into the Capital Increase Agreement, pursuant to which the Investor conditionally agreed to procure its subsidiary, the PRC Investor, to make a capital contribution of US$68.8 million (representing approximately HK$533.9 million) in cash to the registered capital of Rosedale Beijing, and the Company, as guarantor, agreed to guarantee the performance of the obligations of DS Eastin under the Capital Increase Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with (i) details of the Capital Increase Agreement; (ii) the financial information of Rosedale Beijing and the Remaining Group; (iii) the valuation report on the Property; (iv) the information as required under the Listing Rules; and (v) the notice convening the SGM. Details of the Capital Increase Agreement are set out below:

THE CAPITAL INCREASE AGREEMENT

Date:

31 May 2013

Parties:

(i) DS Eastin, which was beneficially owned as to approximately 88.7% by the Company as at the Latest Practicable Date;

(ii) the Investor;

(iii) Rosedale Beijing, a wholly-owned subsidiary of DS Eastin; and

(iv) the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor and its ultimate beneficial owner(s) are Independent Third Parties. The Investor is principally engaged in investment holding.

Capital Injection:

As at the Latest Practicable Date, the registered capital of Rosedale Beijing was US$17.2 million (representing approximately HK$133.5 million) and had been fully paid up by DS Eastin. Pursuant to the Capital Increase Agreement, the Investor conditionally agreed to procure its subsidiary, the PRC Investor, to make a capital contribution of US$68.8 million (representing approximately HK$533.9 million) in cash (which will be payable in RMB at the applicable exchange rate as at the time of making of the capital contribution) to the increased registered capital of Rosedale Beijing in the following manner:

(a) a deposit in the amount of RMB160.0 million (representing approximately US$25.9 million) ("Deposit") shall be paid by the PRC Investor to the escrow agent within three Business Days after the signing of the Capital Increase Agreement and the Deposit shall be released for paying up part of the capital contribution on the Completion Date; and

(b) the remaining balance of approximately RMB265.3 million (representing approximately US$42.9 million) for the Capital Injection shall be paid by the PRC Investor on the Completion Date.

The amount of the Capital Injection was determined after arm's length negotiations between the parties to the Capital Increase Agreement with reference to the amount of the DS Eastin Loan, the amount of the BEA China Loan and initial capital requirement for the Extension. As at the Latest Practicable Date, the PRC Investor had paid the Deposit to the escrow agent. Upon Completion, Rosedale Beijing will have an increased registered capital of US$86.0 million (representing approximately HK$667.4 million) and its equity interest will be owned as to 80% by the PRC Investor and as to 20% by DS Eastin. As agreed by the parties to the Capital Increase Agreement, Rosedale Beijing shall first apply the amount of the Capital Injection for repayment of the DS Eastin Loan, the BEA China Loan and outstanding amount due to DS Eastin's Related Parties as shown in the Completion Accounts.

Conditions:

Completion is conditional upon fulfillment or, as the case may be, waiver of the following conditions:

(a) the warranties given by DS Eastin in the Capital Increase Agreement remaining true and accurate in all material respects and not misleading;

(b) BEA Hong Kong and BEA China issuing document to DS Eastin and Rosedale Beijing respectively confirming without any conditions that (i) it would release the relevant charges over the entire equity interest in and the account receivables of Rosedale Beijing and the Property upon the receipt of repayment of not more than RMB240.0 million (representing approximately HK$302.4 million) or its Hong Kong dollars equivalent; and (ii) it agrees to the Capital Injection;

(c) Rosedale Beijing having obtained the approval for the Capital Injection from the relevant governmental and/or official authorities; and

(d) the passing of an ordinary resolution by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at a special general meeting of the Company approving the Capital Increase Agreement and the transactions contemplated thereunder.

The Investor has absolute discretion to waive condition (a) above whilst condition (b) can only be waived by mutual agreement between DS Eastin and the Investor.

If the conditions above are not satisfied or waived (except conditions (c) and (d) which are incapable of being waived) on or before the 120th day after the date of the Capital Increase Agreement (or such other date as DS Eastin and the Investor may agree in writing), the Capital Increase Agreement shall lapse and there shall be no further liability on the parties (save in respect of any antecedent breach). In addition, the Deposit (together with interest accrued thereon) shall be returned to the PRC Investor. As at the Latest Practicable Date, none of the conditions had been fulfilled.

Completion:

Completion shall take place on the third Business Day following the fulfillment or waiver (as the case may be) of the conditions precedent (b) to (d) above and the condition precedent (a) remaining fulfilled (unless waived by the Investor). Upon Completion, Rosedale Beijing will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

In the event that (i) the PRC Investor fails to pay the balance of the Capital Injection and/or execute the Share Pledge and/or the ancillary documents on the Completion Date and/or (ii) the Investor and/or the PRC Investor is/are in material breach of its obligations under the Capital Increase Agreement which is not remedied within 14 days of written notice from DS Eastin, DS Eastin shall be entitled by written notice to the Investor to terminate the Capital Increase Agreement whereupon DS Eastin shall be entitled to forfeit 50% of the Deposit (together with interest accrued thereon) as agreed damages and the remaining 50% of the Deposit (together with interest accrued thereon) shall be returned to the PRC Investor. On the other hand, in the event that (i) DS Eastin is in material breach of the warranties it gave under Capital Increase Agreement and/or (ii) it is in material breach of its obligations under the Capital Increase Agreement which is not remedied within 14 days of written notice from the Investor, the Investor shall be entitled by written notice to DS Eastin to terminate the Capital Increase Agreement whereupon DS Eastin shall return the Deposit (together with interest accrued thereon) to the PRC Investor and compensate a sum of RMB80.0 million (representing approximately HK$100.8 million) to the Investor as agreed damages. In each case, the party not in default shall not make any further claim of any nature against the defaulting party. For avoidance of doubt, the Company is not obligated to compensate a sum of RMB80.0 million (representing approximately HK$100.8 million) to the Investor in case that the Shareholders vote down the transactions contemplated under the Capital Increase Agreement.

The Investor has the right, before the issue of the relevant government approval for the Capital Injection, to terminate the Capital Increase Agreement if it is ascertained that the total development area of the Land（總建設用地規模）as finally affirmed by the relevant government authorities is less than 14,000 square meters. As at the Latest Practicable Date, it was expected that the total development area of the Land would not be less than 14,000 square meters. If the Investor exercises such right of termination, the Deposit (together with interest accrued thereon) shall be returned to the PRC Investor and none of the parties under the Capital Increase Agreement shall have any further liabilities thereunder.

Compensation:

Pursuant to the Capital Increase Agreement, DS Eastin has agreed to waive its pre-emption rights to make the capital contribution to Rosedale Beijing and in consideration of the same the Investor has agreed to pay DS Eastin the Compensated Amount determined in accordance with the following formula within six months after the Completion Date:

Compensated Amount = RMB800 million less

(i) total amount paid by Rosedale Beijing to settle the DS Eastin Loan in full;
(ii) total amount paid by Rosedale Beijing to settle the BEA China Loan in full; and
(iii) 20% of the Residual Capital

Based on the information and exchange rates as at the date of the Capital Increase Agreement, the Compensated Amount is estimated to be approximately RMB530.2 million (representing approximately HK$668.1 million). As at the Latest Practicable Date, the Compensated Amount was estimated to be approximately RMB527.1 million (representing approximately HK$664.1 million), which was calculated based on the updated amount of the DS Eastin Loan of approximately RMB232.7 million, the BEA China Loan of approximately RMB2.1 million and 20% of the Residual Capital of approximately RMB38.1 million. The obligation of the Investor to pay the Compensated Amount is to be secured by the Share Pledge by the PRC Investor over 50% of the equity interest in Rosedale Beijing. Prior to the approval and due registration of the Share Pledge by the relevant official authorities, the Investor has agreed to procure the PRC Investor to nominate only two directors to Rosedale Beijing with the other three directors remaining nominees of DS Eastin.

The Compensated Amount was determined after arm's length negotiations between the parties to the Capital Increase Agreement and with reference to (i) the preliminary valuation of the Property as at 31 May 2013 by an independent property valuer; and (ii) the prospect of the hotel industry in Beijing, the PRC.

As the initial amount of the Capital Injection and the Compensated Amount were determined with reference to, amongst others, the Net Current Assets of Rosedale Beijing on the Completion Date being nil, an adjustment mechanism is introduced to ensure that the actual amount of the Capital Injection and the Compensated Amount to be paid by the Investor at Completion will be finalised along with the amount of the Net Current Assets on the Completion Date. The adjustment mechanism is set out as follows: if the Net Current Assets of Rosedale Beijing as shown in the Completion Accounts, which will be prepared under the generally accepted accounting principles in the PRC, is a positive amount, the Investor shall pay to DS Eastin a sum equal to 80% of such amount and if the Net Current Assets as shown in the Completion Accounts, which will be prepared under the generally accepted accounting principles in the PRC, is a negative amount, DS Eastin shall pay to the Investor a sum equal to 80% of such amount, each within seven Business Days after receipt of the Completion Accounts.

Capital Commitment:

It is agreed that after the Completion Date any premium payable to the government authorities for the Extension shall first be paid out from the Residual Capital and any shortfall shall be borne by between the PRC Investor and DS Eastin in accordance with their shareholding percentage in Rosedale Beijing provided that the maximum amount payable by DS Eastin shall not exceed RMB30.0 million (representing approximately HK$37.8 million).

Shareholders' Agreement:

In conjunction with the Capital Injection, the PRC Investor and DS Eastin shall enter into the Shareholders' Agreement and adopt a new set of articles of association for Rosedale Beijing within three Business Days after the fulfillment of the conditions (b) and (d) as mentioned under the paragraph headed "Conditions" above.

The Shareholders' Agreement regulates the rights and obligations as between the PRC Investor and DS Eastin in respect of certain matters pertaining to the ownership, operation, management and governance of Rosedale Beijing. The major provisions of the Shareholders' Agreement are set out below:

1. Pre-emptive right

If (i) DS Eastin proposes to transfer 50% or more of its equity interest in Rosedale Beijing to a third party or (ii) the PRC Investor proposes to transfer 50% or more of its equity interest in Rosedale Beijing to a third party, the other shareholder shall have the right to purchase the said equity interest on the same terms and conditions.

2. Appointment of directors

The board of directors of Rosedale Beijing shall comprise five directors, of which the PRC Investor shall be entitled to nominate four and DS Eastin shall be entitled to nominate one.

3. Matters requiring unanimous shareholders' approval

Certain material matters shall require the approval of both shareholders before implementation. Such matters include amendment of constitutional documents, its termination or liquidation, the creation of encumbrances against assets other than for obtaining loans from financial institutions for its working capital, the giving of guarantees and indemnities for the benefit of third parties, acquisition of real estate assets, disposal of real estate assets exceeding 20% of the total floor areas owned (singly or in aggregate in one year), borrowing from or lending to shareholders.

INFORMATION ON ROSEDALE BEIJING

On 21 June 2013, the Group acquired 1,260,000 ordinary shares of US$0.02 each in the share capital of Apex Quality Group Limited ("Apex"), representing approximately 0.5% of the issued share capital of Apex. Accordingly, the Company's equity interest in Apex was increased to approximately 88.7%. DS Eastin is an indirect wholly-owned subsidiary of Apex. As at the Latest Practicable Date, the Company held approximately 88.7% equity interest in DS Eastin, which in turn held the entire paid-up capital of Rosedale Beijing. Rosedale Beijing is a wholly foreign-owned enterprise established in the PRC with registered and paid-up capital of US$17.2 million (representing approximately HK$133.5 million). Upon Completion, Rosedale Beijing will become a sino-foreign joint venture entity with registered capital of US$86.0 million (representing approximately HK$667.4 million).

Rosedale Beijing is principally engaged in hotel ownership and operation and its principal asset is the ownership of the Property. The Property is located at No.8, Jiang Tai Road West, Chao Yang District, Beijing, the PRC and currently known as Rosedale Hotel & Suites, Beijing. It has a gross floor area of approximately 37,173 square meters with 462 guestrooms and a shopping arcade. Based on the valuation report on the Property prepared by Asset Appraisal Limited, an independent property valuer, as set out in Appendix IV to this circular, the market value of the Property as at 31 May 2013 is estimated to be approximately HK$1,190.7 million.

The unaudited financial information of Rosedale Beijing, which was prepared under the Hong Kong Financial Reporting Standands, is set out in Appendix II to this circular. The following is a summary on the unaudited financial information on Rosedale Beijing:

	For the year ended 31 December			For the four months ended 30 April
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	71,347	85,490	96,126	24,571
Loss before taxation	(27,277)	(30,565)	(26,539)	(13,623)
Loss after taxation	(20,292)	(26,840)	(20,584)	(13,263)

As at 30 April 2013, Rosedale Beijing had net assets of approximately HK$236.9 million.

FINANCIAL EFFECT OF THE CAPITAL INJECTION

Upon Completion, the Company's equity interest in Rosedale Beijing will be reduced from approximately 88.7% to approximately 17.7% and Rosedale Beijing will cease to be a subsidiary of the Company. Accordingly, the financial results of Rosedale Beijing will no longer be consolidated from, and then be equity accounted for in, the financial statements of the Group. Assuming the Deemed Disposal has been completed on 31 December 2012, the Group would recognise a gain on the Deemed Disposal before taxation of approximately HK$790.4 million which is calculated based on (i) the net Compensated Amount of approximately HK$626.3 million (after netting off the estimated direct expenses of approximately HK$5 million for legal and professional fees); (ii) the carrying amount of the net asset value of Rosedale Beijing on the Company's accounts of approximately HK$243.8 million as at 31 December 2012; (iii) the fair value of the remaining 20% equity interest in Rosedale Beijing of approximately HK$261.3 million as at 31 December 2012 assuming Completion had been taken place; (iv) the realisation of foreign exchange reserve upon the Deemed Disposal attributable to the owners of the Company of approximately HK$117.8 million; and (v) the non-controlling interests in Rosedale Beijing of approximately HK$28.8 million. Shareholders should note that the actual gain or loss from the Deemed Disposal to be recorded by the Company will depend on, amongst others, the carrying amount of the net asset value of Rosedale Beijing, the carrying amount of the non-controlling interests in Rosedale Beijing and the fair value retained in Rosedale Beijing as at Completion.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming the Deemed Disposal has been completed on 31 December 2012, the total assets of the Remaining Group would have been increased by approximately HK$296.4 million from approximately HK$3,130.1 million as at 31 December 2012 to approximately HK$3,426.5 million, and the total liabilities of the Remaining Group would have been decreased by approximately HK$255.3 million from approximately HK$1,240.4 million as at 31 December 2012 to approximately HK$985.1 million. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming the Deemed Disposal has been completed on 1 January 2012, the Group's results would have been improved by approximately HK$689.4 million from loss of approximately HK$149.0 million for the year ended 31 December 2012 to profit of approximately HK$540.4 million.

PROPOSED USE OF PROCEEDS

The net proceeds from the Deemed Disposal is estimated to be approximately HK$663.0 million, assuming there being no change in the amount of the DS Eastin Loan and the BEA China Loan from the date of the Capital Increase Agreement to the Completion Date. The Company intends to apply such net proceeds as to (i) approximately HK$300.0 million to reduce the loan and other borrowings of the Company; (ii) approximately HK$300.0 million for other investment opportunities; and (iii) the remaining balance of approximately HK$63.0 million as general working capital of the Group on its hotel operation business. The Company has identified some potential hotel development projects in Hong Kong, but no formal or legally binding agreement has been entered into by the Company with any party. The Company is in discussions with an independent third party on its possible disposal of a hotel property of the Remaining Group, however, no contract has been entered into by the parties, and current discussions may or may not result in any transaction. Save for the above, as at the Latest Practicable Date, the Company had no present intention or negotiation and had not entered into any agreement, arrangement or understanding in relation to acquisition and/or disposal of any assets and business. Further announcement(s) will be made by the Company in accordance with the requirements of the Listing Rules as and when appropriate.

REASONS FOR ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The Group is principally engaged in hotel operation and trading of securities.

As stated in the annual report of the Company for the year ended 31 December 2012, the Group has obtained an approval by the Beijing Municipal Commission of Urban Planning for the Extension and had a preliminary plan to increase its gross floor area by 25,000 square meters with the addition of approximately 250 guestrooms, a swimming pool and other ancillary facilities at the standard of a 5-star rated hotel. The management of the Company estimates that a substantial amount of capital would be required for the Extension. In view of the difficulty and relatively high cost in obtaining capital from banks and/or other financial institutions, the Capital Injection would be an efficient and cost-effective way to obtain additional capital for financing the plan of the Extension.

Taking into account the Company's gearing ratio of 54.3% (measured as total borrowings to equity attributable to owners of the Company) as at 31 December 2012, the financing cost as well as the significant capital requirement for the extension of the Property, the Company has waived its pre-emption rights to make the capital contribution to Rosedale Beijing. Upon Completion, the Company will still hold approximately 17.7% equity interest in Rosedale Beijing (through the holding of approximately 88.7% equity interest in DS Eastin, which in turn will hold 20% equity interest in Rosedale Beijing), and thus it will continue to benefit from the future growth and success of Rosedale Beijing.

The Directors consider that the entering into of the Capital Increase Agreement would allow the Group to generate a satisfactory return on its investment in the Property and the proceeds receivable, including the Compensated Amount, would provide the necessary financial resources for the Group to repay its borrowings when they fall due, capture sizeable investment opportunities and implement its expansion strategy in its hotel and leisure business and for its business operation.

Having considered the above, the Directors are of the view that the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Capital Injection constitutes a deemed disposal of the Group's equity interest in Rosedale Beijing under Rule 14.29 of the Listing Rules and the Deemed Disposal constitutes a very substantial disposal for the Company under the Listing Rules. The Capital Increase Agreement and the transactions contemplated thereunder are therefore subject to the reporting, announcement and shareholders' approval requirement under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Capital Increase Agreement, hence no Shareholder is required to abstain from voting on the Capital Increase Agreement and the transactions contemplated thereunder at the SGM.

THE SGM

The SGM will be held at Gemini Room, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Tuesday, 13 August 2013 at 10:00 a.m. to consider and, if thought fit, approve the Capital Increase Agreement and the transactions contemplated thereunder. A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular. 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 Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, 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 (as the case may be). Completion and return of the form of proxy shall 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.

The resolution to approve the Capital Increase Agreement and the transactions contemplated thereunder at the SGM will be taken by way of poll and an announcement will be made by the Company after the SGM on the results of the SGM.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement are fair and reasonable so far as the Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be put forward to the Shareholders at the SGM to consider and, if thought fit, approve the Capital Increase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Rosedale Hotel Holdings Limited
Cheung Hon Kit
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2010, 2011 and 2012 are disclosed in the annual reports of the Company for the year ended 31 December 2010, 2011 and 2012 respectively. All of these financial statements have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.rhh.com.hk).

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 May 2013, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding (i) bank borrowings of HK$846 million which were secured by fixed charges on certain of the Group's assets, including hotel properties of approximately HK$1,536.6 million and short-term bank deposits of approximately HK$29.3 million and (ii) other unsecured borrowings of HK$260 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 May 2013 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account (i) the internal resources available to the Group; (ii) the presently available banking and other facilities, and in the absence of unforeseeable circumstances, the Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest audited consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon Completion, the Remaining Group will continue to be engaged in hotel operation and trading of securities. As mentioned in the paragraph headed "Proposed use of proceeds" above, the Group intends to apply the net cash proceeds as to approximately HK$300 million for repayment of loan and other borrowings of the Company. By removing these liabilities from its statement of financial position, the gearing ratio and the financial position of the Company shall be enhanced to a considerable extent. Furthermore, the bottom line of the Remaining Group in the future shall be improved by reducing the finance costs incurred on the said loan and other borrowings. The Remaining Group shall focus on running its "Rosedale" business hotels.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below are the management discussion and analysis of the Remaining Group for each of the years ended 31 December 2010, 2011 and 2012.

For the year ended 31 December 2010

Review of operations

The Remaining Group attained a turnover of HK$238.0 million from its continuing operations for the year ended 31 December 2010. Gross loss for the year was HK$15.7 million and profit for the year was HK$469.6 million. Loss for the year from continuing operations was HK$271.4 million resulted from after charging administration expenses of HK$177.8 million, finance costs of HK$41.1 million, impairment loss recognised in respect of intangible assets arising from certain under-performed hotel lease contracts of HK$27.7 million, decrease in fair value of investment properties of HK$34.0 million determined based on the valuation report prepared by independent professional valuers and impairment loss recognised in respect of certain leasehold properties and hotel properties in the PRC of HK$32.5 million.

Following the disposal of the 90% interest of the travel business and the termination of the Rolling Stock Purchase Agreement dated 30 April 2007, as amended ("RSPA"), during the first half of the year, the Remaining Group's travel and related services segment and luxury trains services segment were being grouped as discontinued operations. The results arising from these discontinued operations for the year ended 31 December 2010 were profits in aggregate of approximately HK$699.7 million.

Continuing operations

Hotel and Leisure Services

The hotel operations business of the Remaining Group comprises the two "Rosedale" branded 4-star rated hotels, the Times Plaza Hotel, Shenyang, the Luoyang Golden Gulf Hotel and the Square Inn budget hotel chain. This segment resulted a loss of HK$222.7 million.

Securities Trading

Gain from securities trading for the year ended 31 December 2010 was HK$3.3 million.

Discontinued operations

Travel and Related Services

During the year, the Company disposed of 90% interest of its travel business. As a result, the segment was grouped as a discontinued operation. The gain from this segment for the year was HK$757.7 million that comprised the gain on disposal of 90% equity interest in HKWOT (BVI) Limited ("HKWOT") of HK$716.9 million and the operating results of the travel services segment up to the date of disposal of approximately HK$40.8 million.

Luxury Trains Services

The agreement for the termination of RSPA was effective on 3 May 2010. Accordingly, the Tangula luxury trains business of the Remaining Group was classified as a discontinued operation. Loss for this segment for the year up to the date of completion was HK$58.0 million.

Material acquisitions and disposals

On 3 February 2010, the Company entered into a conditional agreement (the "Disposal Agreement") with C-Travel International Limited ("C-Travel") pursuant to which the Company conditionally agreed to sell and C-Travel conditionally agreed to purchase the 90% interest in the issued share capital of HKWOT, a then wholly-owned subsidiary of the Company, at a consideration of US$88.0 million (equivalent to approximately HK$684 million) (subject to adjustment) to be satisfied by way of cash at completion. The Disposal Agreement was completed on 27 May 2010 and HKWOT ceased to be a subsidiary of the Company since then.

On 5 February 2010, Ocean Growth Enterprises Limited ("Ocean Growth"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with ITC Golf & Leisure Group Limited ("ITC Golf"), Guizhou Hong Neng Investment Company Limited and Business Action Holdings Limited ("Business Action") in relation to, among other things, the subscription of 450 new shares in Business Action by Ocean Growth at an aggregate price of US$450. Pursuant to the shareholders' agreement signed at completion, Ocean Growth is required to advance HK$52.2 million to Business Action within 30 days after the date of the shareholders' agreement. Business Action is principally engaged in the development and management of the project, which comprises a sport recreational, marina and tour facilities at the bayou of River Ning Yuan situated at about 40 kilometers from Sanya City, Hainan Province, the PRC. The aforesaid subscription agreement was completed upon signing and Business Action became an associate of the Remaining Group since then.

On 13 March 2010, RailPartners, Inc. ("RPI"), an indirect 72% owned subsidiary of the Company, entered into a termination agreement ("Termination Agreement") to terminate the RSPA, with Bombardier Sifang (Qingdao) Transportation Ltd. ("BST"). The Termination Agreement became effective on 3 May 2010. All obligations of the parties under the RSPA were then terminated, the luxury trains commissioned by RPI under the RSPA belonged to BST and BST had paid US$35,694,022 (less certain expenses of BST and the escrow agent fees) into an escrow account. The monies in the escrow account were applied in and towards the payment of the debts of RPI.

On 13 October 2010, Fast Choice Investments Limited, an indirect wholly-owned subsidiary of the Company, executed the bought and sold notes, instrument of transfer and a deed of assignment to effect the sale and transfer of its 20% equity interest in Winner World Group Limited, and assignment of the shareholder's loan to the purchaser, an independent third party, at a total consideration of HK$26,435,677. The transaction was completed during the year.

On 19 November 2010, the Remaining Group entered into an agreement with an independent third party, pursuant to which the Remaining Group has agreed to purchase 7.2% equity interest in Apex at a consideration of HK$70,000,000. Upon completion, the Company's equity interest in Apex increased from 75.9% to 83.1% and Apex remains as an indirect non wholly-owned subsidiary of the Company. The transaction was completed in December 2010.

Significant investments

There was no significant investments during the year ended 31 December 2010.

Liquidity and financial resources

On 8 December 2009, the Company announced its intention to put forward a proposal to the shareholders of the Company to effect a capital reorganisation which involves: (i) the consolidation of every 20 issued existing shares of HK$0.01 each into 1 issued consolidated share of HK$0.20 each; (ii) the reduction of issued share capital whereby the par value of each issued consolidated share will be reduced from HK$0.20 to HK$0.01 by cancelling HK$0.19 of the paid-up capital on each issued consolidated share; (iii) the transfer of the credit arising from the capital reduction to the contributed surplus account of the Company; and (iv) the application of the contributed surplus account of the Company to offset part of the amount of the accumulated losses as permitted by the laws of Bermuda and the Bye-Laws. The capital reorganisation was approved by the shareholders of the Company at the special general meeting held on 1 February 2010 and became effective on 2 February 2010.

On 23 June 2010, the Company announced that it proposed to make the repurchase offer (subject to the fulfillment of certain conditions precedent) to repurchase all of the outstanding convertible notes due in June 2011 (the "Notes"). Subject to the terms of the repurchase offer, noteholders can elect to receive offer consideration money equal to 88% of the outstanding principal amount of the Notes tendered on acceptance of the repurchase offer or offer consideration shares at HK$0.6 per share, or a combination of both, as consideration for their Notes on their acceptances of the repurchase offer. Valid acceptances in respect of the Notes in an aggregate principal amount of HK$329,200,000 (representing approximately 51.44% of the aggregate principal amount of all Notes outstanding) were received, in respect of which election was made to receive (i) offer consideration money in respect of HK$262,200,400 principal amount of the Notes; and (ii) offer consideration shares in respect of HK$66,999,600 principal amount of the Notes. The repurchase offer was completed on 22 September 2010 and the Company had (i) paid an aggregate of HK$230,736,352 as the offer consideration money; and (ii) allotted and issued an aggregate of 111,666,000 offer consideration shares to the accepting noteholders.

At the end of the reporting year, the Remaining Group's total borrowings were as follows:

	At 31 December 2010
	HK$ million
Loan from a related company	10.0
Borrowings – amount due within one year	61.5
Convertible notes	330.8
	402.3

The convertible notes issued in June 2006, due in June 2011, bear interest at a fixed rate of 2% per annum and a loan from a related company bears interest at a fixed rate of 10% per annum. All other borrowings bear floating interest rates. All borrowings were denominated in Hong Kong dollars.

The loan from a related company was repayable on demand within one year. The gearing ratio as at 31 December 2010, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was 23.1%. The cash and cash equivalents held by the Remaining Group were principally denominated in Hong Kong dollars and Renminbi.

Pledge of assets

At 31 December 2010, hotel properties and bank deposits of the Remaining Group at net book value of HK$310.9 million were pledged to banks for credit facilities.

At 31 December 2010, the Remaining Group's 10% interest in HKWOT was pledged to C-Travel for the purposes of accounting for the payment, discharge and performance of all present and future obligations and liabilities (whether actual or contingent) of the Company to C-Travel arising under or in respect of (i) any breach of warranties; (ii) any breach of protective covenants or post completion adjustment under the Disposal Agreement; (iii) the deed of indemnity dated 27 May 2010; (iv) the share charge dated 27 May 2010; and (v) any claims or other losses arising under or in connection with any of items (i) to (iv) above (inclusive) (including, without limitation, damages in respect of any such claims as determined by a court or arbitration of competent jurisdiction or amounts the subject of a settlement or otherwise agreed in writing between the Company and C-Travel for a period ending on the date falling three years from 27 May 2010. The carrying amount of the Remaining Group's 10% interest in HKWOT as at 31 December 2010 was approximately HK$56.3 million.

Contingent liabilities

The Remaining Group did not have any significant contingent liabilities as at 31 December 2010.

Foreign currency exposure

The majority of the Remaining Group's assets and liabilities and business transactions were denominated in Hong Kong dollars and Renminbi. During the year ended 31 December 2010, the Remaining Group have not entered into any hedging arrangements. However, the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

Employees

At 31 December 2010, the Remaining Group has approximately 1,950 employees of which 1,748 employees were stationed in the PRC. Competitive remuneration packages are structured to commensurate with the responsibilities, qualifications, experience and performance of individual employee. The Remaining Group also provided training programs, provident fund scheme and medical insurance for its employees.

Prospects

The 11 March earthquake happened at the east coast of Honshu, Japan, followed by the tsunami and the radiation leakage at Fukushima Daiichi damaged the economy of Japan, the third largest economy of the world. It is not sure yet the consequential effects on the world's economy but observers commented that China, as the world factory, would be impacted to a certain extent consequent to shortage of parts supplies in the car-making and semi-conducting industries. Notwithstanding that the China's importance in the international stage shall become more prominent.

In 2011, the Remaining Group shall continue to focus its resources on expanding its hotel and leisure business following the completion of the disposal of the 90% interest in HKWOT in May 2010 and the termination agreement to terminate of the RSPA in May 2010.

Rosedale Hotels

While the PRC hotel industry experienced a double digit decline in 2009, the occupancy rate improved significantly in 2010 and the strong domestic demand continued. The Remaining Group's four-star rated Rosedale hotel chain comprises two self-owned hotels located in the PRC, a leased hotel located in Hong Kong and a hotel under construction located in Tai Kok Tsui, Hong Kong. Currently, a total of approximately 1,170 guest rooms are under the management of the Remaining Group's Rosedale hotel chain. It is expected that approximately 435 guest rooms will be added to the portfolio following the completion of the Tai Kok Tsui development project by the end of 2011 so that the four-star business hotel network of the Remaining Group shall be further enhanced for providing a comprehensive service to its valuable customers.

Square Inn Budget Hotels

The Remaining Group is currently managing more than 70 leased-and-operated budget hotels branded "Square Inn" in the mainland including Guangzhou, Wuyishan, Beijing, Jinan and Tianjin. The Remaining Group is actively soliciting opportunities to acquire and/or to lease further budget hotels in the mainland to enlarge its portfolio so as to grasp the tremendous business opportunities arising from the blooming market and get a place in the flourishing PRC budget hotel industry. In the coming year, the Remaining Group shall strive to develop Square Inn into the preferred selection for both leisure and business travelers aiming at a comfort and tidy experience of accommodation.

For the year ended 31 December 2011

Review of operations

The Remaining Group attained a turnover of HK$305.5 million from its continuing operations for the year ended 31 December 2011, represented an increase of 28.4% as compared to HK$238.0 million in 2010. Gross profit for the year was approximately HK$12.9 million while gross loss for the year ended 31 December 2010 was approximately HK$15.7 million. The results of the Remaining Group for the year ended 31 December 2011 was a loss of HK$158.7 million against the profit of HK$469.6 million in 2010, which was mainly attributable to a gain on disposal of the travel and related business of approximately HK$716.9 million. However, the aforesaid gain on disposal was a non-recurring item and there was no similar item recorded for the year ended 31 December 2011. Notwithstanding that the Remaining Group has recorded a loss from its continuing operations of HK$192.5 million for the year ended 31 December 2011 (2010: HK$271.4 million), this represented a 28.1% reduction of loss from that of the previous year. This improvement was resulted mainly from decreases in various cost items during the reporting year. Loss for the year from continuing operations was arrived at after charging mainly administrative expenses of HK$122.7 million (2010: HK$177.8 million); finance costs of HK$6.1 million (2010: HK$41.1 million); impairment loss recognised in respect of other intangible assets arising from certain under-performed hotel lease contracts of HK$10.1 million (2010: HK$27.7 million); impairment loss recognised in respect of property, plant and equipment of HK$31.2 million (2010: HK$32.5 million) and increase in fair value of investment properties of HK$13.5 million (2010: decrease of HK$34.0 million).

Segment results

Hotel and Leisure Services

The hotel and leisure business of the Remaining Group comprises the two "Rosedale" branded 4-star rated hotels, the Times Plaza Hotel, Shenyang, the Luoyang Golden Gulf Hotel and the Square Inn budget hotel chain. Turnover increased by 28.4% to HK$305.5 million for the year ended 31 December 2011 (2010: HK$238.0 million) resulted from the increasing average room rate and average occupancy rates. The strong Renminbi and the expanding Square Inn budget hotel chain also played an important role in this improving performance. Segment loss for the reporting year was HK$162.2 million (2010: HK$222.7 million). Loss for the year was mainly attributable to the high depreciation charge on the Remaining Group's hotel properties and ancillary fixed assets.

Securities Trading

Loss from securities trading for the year ended 31 December 2011 was HK$9.5 million (2010: profit of HK$3.3 million).

Material acquisitions and disposals

On 26 September 2011, the Remaining Group entered into a share sale agreement with an independent third party in relation to the disposal of the entire issued share capital of Gold Richly Limited at a consideration of RMB45,000,000 (equivalent to approximately HK$55,102,000). Gold Richly Limited was the then subsidiary of the Company and its major activity was the holding of, through a wholly foreign owned entity in the PRC, a resort hotel development with three blocks of one to two-storey buildings erected on two parcels of land located at Hailing Island, Yangjiang City, Guangdong Province, the PRC. The said share sale agreement was completed in October 2011.

Significant investment

There was no significant investments during the year ended 31 December 2011.

Liquidity and financial resources

At the end of the reporting year, the Remaining Group's total borrowings were as follows:

	At 31 December 2011 *HK$ million*
Loan from a related company	14.6
Borrowings – amount due within one year	483.9
Borrowings – amount due after one year	220.0
	718.5

The convertible notes issued in June 2006, matured on 7 June 2011, were of a fixed coupon rate of 2% per annum and other borrowings of approximately HK$8.1 million bear interest at a fixed rate of 10% per annum during the year ended 31 December 2011. All other borrowings bear floating interest rates. During the year, the Remaining Group repaid bank loan due of approximately HK$46.0 million and obtained two new bank loans amounting to HK$635 million. The loans comprised: (i) a HK$ loan that bears interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 1.75% per annum; and (ii) a HK$ loan that bears interest at HIBOR plus 2.4% per annum to finance the construction of the hotel in Tai Kok Tsui and for general operation uses. All other borrowings were denominated in Hong Kong dollars. Bank deposits of approximately HK$14.9 million and properties of approximately HK$663.8 million were pledged as securities for these bank borrowings as at 31 December 2011.

The loans from a related company were repayable on demand within one year. The gearing ratio as at 31 December 2011, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was 45.2% (2010: 23.1%). The cash and cash equivalents held by the Remaining Group were principally denominated in Hong Kong dollars and Renminbi.

Pledge of assets

At 31 December 2011, hotel properties and bank deposits of the Remaining Group at net book value of HK$678.7 million (2010: HK$310.9 million) were pledged to banks for credit facilities.

At 31 December 2011, the Remaining Group's 10% interest in HKWOT was pledged to C-Travel for the purposes of accounting for the payment, discharge and performance of all present and future obligations and liabilities (whether actual or contingent) of the Company to C-Travel arising under or in respect of (i) any breach of warranties; (ii) any breach of protective covenants or post completion adjustment under the Disposal Agreement; (iii) the deed of indemnity dated 27 May 2010; (iv) the share charge dated 27 May 2010; and (v) any claims or other losses arising under or in connection with any of items (i) to (iv) above (inclusive) including, without limitation, damages in respect of any such claims as determined by a court or arbitration of competent jurisdiction or amounts the subject of a settlement or otherwise agreed in writing between the Company and C-Travel for a year ending on the date falling three years from 27 May 2010. The carrying amount of the Remaining Group's 10% interest in HKWOT as at 31 December 2011 was approximately HK$56.2 million (2010: HK$56.3 million).

Contingent liabilities

The Remaining Group did not have any significant contingent liabilities as at 31 December 2011.

Foreign currency exposure

The majority of the Remaining Group's assets and liabilities and business transactions were denominated in Hong Kong dollars and Renminbi. During the year ended 31 December 2011, the Remaining Group had not entered into any hedging arrangements. However, the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

Employees

At 31 December 2011, the Remaining Group had 1,408 employees of which 1,199 employees were stationing in the PRC. Competitive remuneration packages are structured to commensurate with the responsibilities, qualifications, experience and performance of individual employee. The Remaining Group also provided training programs, provident fund scheme and medical insurance for its employees.

Prospects

The world economy is on the brink of another major downturn. Global economic growth started to decelerate in mid-2011 and is estimated to have averaged 2.8 per cent over the last year. This economic slowdown is expected to continue into 2012 and 2013. The United Nations baseline forecast for the growth of world gross product (WGP) is 2.6 per cent for 2012 and 3.2 per cent for 2013, which is below the pre-crisis pace of global growth. Persistent high unemployment in the United States and low wage growth are holding back aggregate demand and, together with the prospect of prolonged depressed housing prices, this has heightened risks of a new wave of home foreclosures. Growth in the Euro zone has slowed considerably since the beginning of 2011 and the ever-simmering sovereign debt crisis heavily weighs on consumer and business confidence across Europe. The failure of policymakers in developed countries to address unemployment and prevent sovereign debt distress and financial sector fragility from escalating has posed the most acute risk for the global economy in the outlook for 2012-2013. Meanwhile, developing countries and economies in transition are expected to continue to stoke the engine of the world economy, growing on average by 5.4 per cent in 2012 and 5.8 per cent in 2013 in the baseline outlook. Among the major developing countries, growth in China and India is expected to remain robust.

The Remaining Group, with years of successful experience in the PRC hospitality industry, has already got its place in this flourishing market. The Remaining Group's four-star rated Rosedale hotel chain comprises two self-owned hotels located in the PRC and the leased-and-operated Rosedale on the Park located in Hong Kong currently running in total of over 1,600 guests room. Following the completion of the disposal of the Rosedale Hotel Kowloon in June 2012, the financial strength of the Remaining Group shall be further enhanced to facilitate the enlargement of its business hotel portfolio in the PRC. Following the rapid expansion of the "Square Inn" budget hotel chain during 2010 and 2011, the Remaining Group shall concentrate on procuring and operating quality leased-and-operated hotels in the PRC. The Remaining Group has currently had approximately 50 "Square Inn" branded hotels in operation, located in the PRC mainly in decent cities such as Guangzhou and Beijing and popular tourists spots like Wuyishan.

In the future, the Remaining Group shall continue to put resources to strengthen its branding and position in the market and to explore further quality investment opportunities to enhance shareholders' wealth.

For the year ended 31 December 2012

Review of operations

The Remaining Group attained a turnover of HK$333.3 million from its continuing operations for the year ended 31 December 2012, represented an increase of 10.9% as compared to that of HK$305.5 million in 2011. Gross profit for the year increased by 3.2 times to HK$54.3 million for the year ended 31 December 2012 (2011: loss of HK$12.9 million). Loss for the Remaining Group for the year ended 31 December 2012 was HK$122.6 million (2011: HK$158.7 million). Loss for the year was arrived at after charging administrative expenses of HK$97.6 million (2011: HK$122.7 million); finance costs of HK$0.9 million (2011: HK$6.1 million); impairment loss recognised in respect of other intangible assets arising from certain under-performed hotel lease contracts of HK$34.1 million (2011: HK$10.1 million); impairment loss recognised in respect of property, plant and equipment of HK$44.2 million (2011: HK$31.1 million) and loss on disposal of property, plant and equipment of HK$26.3 million (2011: HK$24.6 million); and after crediting an increase in fair value of investment properties of HK$10.0 million (2011: HK$13.5 million) and gain on disposal of available-for-sale investment of HK$17.0 million (2011: Nil).

Segment results

Hotel operations

Following the soft opening of the Rosedale Hotel Kowloon in July 2012, the business hotel network of the Remaining Group was further comprehended. As at 31 December 2012, the hotel operations of the Remaining Group comprised the three "Rosedale" branded 4-star rated hotels, the Times Plaza Hotel, Shenyang, the Luoyang Golden Gulf Hotel and the Square Inn budget hotel chain. Turnover increased by 10.9% to HK$333.3 million for the year ended 31 December 2012 (2011: HK$305.5 million) resulted from the increasing average room rates and average occupancy rates. The strong Renminbi also played an important role to this improving performance. The operating margin of the Remaining Group was further improved subsequent to the surrender and disposal of certain under-performed budget hotel leases during the year. Segment loss for the reporting year was HK$117.3 million (2011: HK$162.2 million). Loss for the year was mainly attributable to the high depreciation charge on the Remaining Group's hotel properties and ancillary fixed assets; impairment loss recognised on and loss on disposal of leasehold improvement in respect of those under-performed budget hotel leases. The impairment was made after considering the future discounted cash flows and in view of the fierce competition of budget hotel market and the weakening economy in the PRC.

Securities Trading

Profits from trading of securities for the year ended 31 December 2012 was HK$1.8 million (2011: loss of HK$9.5 million).

Material acquisitions and disposals

On 13 January 2012, the Remaining Group entered into a conditional sale and purchase agreement with an independent third party (the "Vendor"). Pursuant to the agreement, the Vendor agreed to sell and the Remaining Group agreed to purchase 14,000,000 ordinary shares of US$0.02 each in the capital of Apex, representing approximately 5.05% of the issued share capital of Apex at a total cash consideration of HK$62,000,000. Following the completion, the Company's equity interest in Apex increased to approximately 88.2% and Apex remains as an indirect non wholly-owned subsidiary of the Company. The said agreement was completed in January 2012.

On 2 February 2012, the Company entered into a conditional agreement with C-Travel and pursuant to which the Company conditionally agreed to sell and C-Travel conditionally agreed to purchase the remaining 10% equity interest in the issued share capital of HKWOT, at a consideration of US$9.44 million (equivalent to approximately HK$73.6 million). The consideration was paid by C-Travel as to US$9.18 million (equivalent to approximately HK$71.6 million) by way of cash at completion and as to the balance of US$0.26 million (equivalent to approximately HK$2 million) by way of cash on the first anniversary of the completion date. The said agreement was completed in February 2012.

On 1 February 2012, Eagle Spirit Holdings Limited ("Eagle Spirit"), a wholly-owned subsidiary of the Company, entered into a conditional share sale agreement (the "Agreement") with an independent third party (the "Purchaser"), amongst other things, for the disposal of the entire equity interest (the "Sale Share") in and the shareholder's loan (the "Sale Loan") to More Star Limited ("More Star") for a total consideration of approximately HK$1,317,708,000 (subject to adjustment). The disposal of the Sale Share and the Sale Loan constituted a very substantial disposal whereas the exercise of the put option by the Purchaser constituted a very substantial acquisition for the Company under the Listing Rules. The Agreement and the transactions contemplated thereunder were therefore subject to the shareholders' approval requirements under the Listing Rules. The Agreement and the transactions contemplated thereunder were approved by the shareholders of the Company at the special general meeting convened in April 2012. On 29 June 2012, the Purchaser informed the Company that the condition precedent to completion in relation to the initial public offering of the units in the stapled group would not be satisfied on or before 30 June 2012. Accordingly, the Agreement lapsed on 30 June 2012 and was of no further effect and no party shall have any claim against other party(ies) by reason thereof.

On 24 October 2012, Enjoy Media Holdings Limited ("Enjoy Media"), a subsidiary of the Remaining Group entered into a memorandum of understanding (the "MOU") with an independent third party (the "Intended Purchaser") in relation to the possible disposal of the entire issued share capital of the Square Inn Hotel Management Limited (the "Target"), at a consideration of HK$52,000,000. If the parties fail to sign a formal agreement on or before 31 January 2013 (the "Signing Date") for whatever reason, the MOU shall lapse automatically. The Target is principally engaged in the holding of a lease contract for the operation of a three-star hotel in Macau (the "Hotel"). The Hotel has not yet been in operation pending the grant of a hotel licence by the relevant government authority. On 25 January 2013, Enjoy Media and the Intended Purchaser entered into a supplemental memorandum of understanding, pursuant to which the parties agreed that, amongst other things, the Signing Date be extended to a date falling on or before 30 April 2013 or such later date as may be agreed by the parties in writing. On 29 April 2013, Enjoy Media, the Intended Purchaser, Tong Hon Va and Cheong Soi Un entered into an agreement in relation to the disposal of the entire issued share capital of the Target at a consideration of HK$52,000,000. The said agreement was completed immediately upon signing.

Significant investment

There was no significant investments during the year ended 31 December 2012.

Liquidity and financial resources

At the end of the reporting year, the Remaining Group's total borrowings were as follows:

	At 31 December 2012
	HK$ million
Borrowings – amount due within one year	467.9
Borrowings – amount due after one year	456.0
	923.9

Borrowings of approximately HK$8.1 million bear interest at a fixed rate of 10% per annum. All other borrowings bear floating interest rates. During the year, the Remaining Group repaid loans of approximately HK$69.7 million and obtained a new loan facility of HK$250 million at an interest rate of the higher of HIBOR plus 2.5% per annum or 3% per annum and is repayable in two instalments in December 2015 and 2017 to finance the normal operation of the Company. Bank deposits of approximately HK$15.0 million and properties of approximately HK$789.0 million were pledged as securities for bank borrowings as at 31 December 2012.

The gearing ratio as at 31 December 2012, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was 63.2% (2011: 45.2%). The cash and cash equivalents held by the Remaining Group were principally denominated in Hong Kong dollars and Renminbi.

Pledge of assets

At 31 December 2012, hotel properties and bank deposits of the Remaining Group at net book value of HK$804.0 million (2011: HK$678.7 million) were pledged to banks and financial institutions for credit facilities.

Contingent liabilities

The Remaining Group did not have any significant contingent liabilities as at 31 December 2012.

Foreign currency exposure

The majority of the Remaining Group's assets and liabilities and business transactions were denominated in Hong Kong dollars and Renminbi. During the year ended 31 December 2012, the Remaining Group has not entered into any hedging arrangements. However, the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

Employees

At 31 December 2012, the Remaining Group has 994 employees of which 653 employees were stationing in the PRC. Competitive remuneration packages are structured to commensurate with the responsibilities, qualifications, experience and performance of individual employee. The Remaining Group also provided training programs, provident fund scheme and medical insurance for its employees.

Prospects

The World Economic Outlook projections imply that global growth will strengthen gradually through 2013, averaging 3.5 percent on an annual basis, a moderate uptick from 3.2 percent in 2012. A further strengthening to 4.1 percent is projected for 2014, assuming recovery takes a firm hold in the euro area economy. However, downside risks remain significant, including renewed setbacks in the euro area and risks of excessive near-term fiscal consolidation in the United States.

In the PRC, it is generally expected the politics and economic environment will move into a new era following the successful handover of the sovereignty to the new national leaders after the twelfth National People's Congress held in March 2013.

The Remaining Group, with years of successful experience in the PRC and domestic hospitality business, has already got its place in this flourishing market. With the newly opened Rosedale Hotel Kowloon, the Remaining Group's four-star rated business hotel chain is further comprehended with over 2,000 guests rooms in operations. Facing severe competition from both local and international budget hotel brands, the Remaining Group has surrendered and/or disposed of certain non-performed hotel leases during 2012. The Remaining Group shall further review its business strategy on its budget hotel business and to focus on retaining those hotels located in Guangdong Province and with good business potentials that would provide positive contribution to the Remaining Group in the coming years.

In the future, the Remaining Group shall continue to put resources to strengthen its branding and position in the hospitality industry and to explore further quality investment opportunities to enhance shareholders' wealth.

REPORT ON REVIEW OF UNAUDITED FINANCIAL INFORMATION

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, for inclusion in this circular.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
ROSEDALE HOTEL HOLDINGS LIMITED

INTRODUCTION

We have reviewed the unaudited financial information of Rosedale Hotel Beijing Co., Ltd. ("Rosedale Beijing") set out on pages II-3 to II-9 which comprises the unaudited statements of financial position as of 31 December 2010, 2011 and 2012 and 30 April 2013 and the related unaudited statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the years/period then ended (the "Relevant Periods") and explanatory notes (the "Unaudited Financial Information"). The Unaudited Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Rosedale Hotel Holdings Limited (the "Company") in connection with the proposed deemed disposal of Rosedale Beijing in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the Unaudited Financial Information of Rosedale Beijing in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information and Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors of the Company are also responsible for such internal control as management determines is necessary to enable the preparation of unaudited financial information that is free from material misstatement, whether due to fraud or error. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibility is to express a conclusion on this Unaudited Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ("HKSRE 2410") "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the HKICPA. A review of the unaudited financial information consists of making inquiries, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Financial Information of Rosedale Beijing for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.

Without qualifying our review conclusion, we draw attention to the fact that the comparative unaudited statement of profit of loss and other comprehensive income, unaudited statement of changes in equity and unaudited statement of cash flows for the four-month period ended 30 April 2012 have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 July 2013

UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE YEARS ENDED 31 DECEMBER 2012 AND FOUR MONTHS ENDED 30 APRIL 2012 AND 2013

	For the year ended 31 December			For the four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	71,347	85,490	96,126	28,670	24,571
Direct operating costs	(51,814)	(61,542)	(66,346)	(20,825)	(20,963)
Gross profit	19,533	23,948	29,780	7,845	3,608
Other income	95	140	147	36	65
Administrative expenses	(31,471)	(36,884)	(38,718)	(12,648)	(11,675)
Finance costs	(15,434)	(17,769)	(17,748)	(6,094)	(5,621)
Loss before taxation	(27,277)	(30,565)	(26,539)	(10,861)	(13,623)
Taxation	6,985	3,725	5,955	3,309	360
Loss for the year/period	(20,292)	(26,840)	(20,584)	(7,552)	(13,263)
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss					
Exchange differences arising on translation	17,767	25,208	–	–	6,330
Total comprehensive expense for the year/period	(2,525)	(1,632)	(20,584)	(7,552)	(6,933)

UNAUDITED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010, 2011 AND 2012 AND 30 APRIL 2013

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	667,114	686,979	664,769	662,609
Pledged bank deposits	–	1,860	1,673	1,506
	667,114	688,839	666,442	664,115
Current assets				
Inventories	2,363	2,594	2,535	2,632
Trade and other receivables	6,255	6,753	7,956	6,738
Amounts due from fellow subsidiaries	2,500	272	367	2,240
Bank balances and cash	8,499	7,937	8,257	6,775
	19,617	17,556	19,115	18,385
Current liabilities				
Trade and other payables	13,271	16,425	16,821	15,098
Amounts due to fellow subsidiaries	32,174	31,289	28,894	30,477
Amount due to immediate holding company	15,457	29,112	37,553	40,564
Loan from immediate holding company	247,784	247,784	247,784	247,784
Bank borrowings – due within one year	–	741	741	750
	308,686	325,351	331,793	334,673
Net current liabilities	(289,069)	(307,795)	(312,678)	(316,288)
Total assets less current liabilities	378,045	381,044	353,764	347,827
Non-current liabilities				
Bank borrowings – due after one year	–	2,963	2,222	2,250
Deferred taxation	111,980	113,648	107,693	108,661
	111,980	116,611	109,915	110,911
Net assets	266,065	264,433	243,849	236,916
Capital and reserves				
Registered capital	91,031	91,031	91,031	91,031
Reserves	175,034	173,402	152,818	145,885
Total equity	266,065	264,433	243,849	236,916

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE YEARS ENDED 31 DECEMBER 2012 AND FOUR MONTHS ENDED 30 APRIL 2012 AND 2013

	Registered capital	Capital reserve	Translation reserve	Retained profits (accumulated loss)	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	91,031	65,240	90,560	21,759	268,590
Loss for the year	–	–	–	(20,292)	(20,292)
Exchange difference arising on translation	–	–	17,767	–	17,767
At 31 December 2010	91,031	65,240	108,327	1,467	266,065
Loss for the year	–	–	–	(26,840)	(26,840)
Exchange difference arising on translation	–	–	25,208	–	25,208
At 31 December 2011	91,031	65,240	133,535	(25,373)	264,433
Loss for the year	–	–	–	(20,584)	(20,584)
At 31 December 2012	91,031	65,240	133,535	(45,957)	243,849
Loss for the period	–	–	–	(13,263)	(13,263)
Exchange difference arising on translation	–	–	6,330	–	6,330
At 30 April 2013	91,031	65,240	139,865	(59,220)	236,916
At 31 December 2011	91,031	65,240	133,535	(25,373)	264,433
Loss for the period	–	–	–	(7,552)	(7,552)
At 30 April 2012	91,031	65,240	133,535	(32,925)	256,881

UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THREE YEARS ENDED 31 DECEMBER 2012 AND FOUR MONTHS ENDED 30 APRIL 2012 AND 2013

	For the year ended 31 December			For the four months ended 30 April	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flow from operating activities					
Loss for the year/period	(20,292)	(26,840)	(20,584)	(7,552)	(13,263)
Adjustments for:					
Income taxes	(6,985)	(3,725)	(5,955)	(3,309)	(360)
Depreciation of property, plant and equipment	26,640	28,693	30,375	10,136	10,669
Loss on disposal of property, plant and equipment	401	366	381	341	16
Interest expenses	15,434	17,769	17,748	6,094	5,621
Operating cash flows before movements in working capital	15,198	16,263	21,965	5,710	2,683
(Increase) decrease in inventories	(282)	(231)	59	179	(97)
(Increase) decrease in trade and other receivables	(3,299)	(498)	(1,203)	(557)	1,218
(Increase) decrease in amounts due from fellow subsidiaries	(169)	2,228	(95)	(70)	(1,873)
(Decrease) increase trade and other payables	(453)	2,997	396	1,062	(1,702)
Increase (decrease) in amounts due to fellow subsidiaries	226	(885)	(2,395)	(203)	1,583
Net cash generated from operating activities	11,221	19,874	18,727	6,121	1,812
Cash flow from investing activities					
Additions to property, plant and equipment	(2,358)	(17,412)	(8,619)	(4,360)	(331)
Proceeds from disposal of property, plant and equipment	45	80	73	50	5
Placement of pledged bank deposits	–	(1,860)	–	–	–
Withdrawn of pledged bank deposits	–	–	187	–	167
Net cash used in investing activities	(2,313)	(19,192)	(8,359)	(4,310)	(159)

	For the year ended 31 December			For the four months ended 30 April	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flow from financial activities					
New borrowings raised	–	3,704	–	–	–
Advance from immediate holding company	1,070	97	202	–	–
Repayment to immediate holding company	–	–	(69)	(69)	(208)
Interest paid	(8,383)	(4,057)	(9,440)	(2,885)	(2,423)
Repayment of bank borrowings	–	–	(741)	–	–
Net cash used in financing activities	(7,313)	(256)	(10,048)	(2,954)	(2,631)
Net increase (decrease) in cash and cash equivalents	1,595	426	320	(1,143)	(978)
Cash and cash equivalents at the beginning of the year/period	7,487	8,499	7,937	7,937	8,257
Effect of exchange rate changes	(583)	(988)	–	–	(504)
Cash and cash equivalents at the end of year/period, represented by bank balances and cash	8,499	7,937	8,257	6,794	6,775

NOTES TO THE UNAUDITED FINANCIAL INFORMATION
FOR THE THREE YEARS ENDED 31 DECEMBER 2012 AND FOUR MONTHS ENDED 30 APRIL 2012 AND 2013

1. General

Rosedale Hotel Beijing Co., Ltd. ("Rosedale Beijing") is a company established in the People's Republic of China ("PRC") which is a wholly foreign-owned enterprise. Rosedale Beijing is principally engaged in hotel ownership and operation in Beijing, the PRC.

On 31 May 2013, DS Eastin Limited ("DS Eastin"), an investor, Rosedale Beijing and Rosedale Hotel Holdings Limited (the "Company") entered into a capital increase agreement, pursuant to which the investor has conditionally agreed to make a capital contribution of US$68,800,000 (approximately HK$533,900,000) in cash to the registered capital of Rosedale Beijing. Upon the completion, Rosedale Beijing will become a sino-foreign joint venture entity with registered capital of US$86,000,000 (representing approximately HK$667,400,000) held as to 80% by the investor and as to 20% by DS Eastin. Through the holding of approximately 88.2% equity interest in DS Eastin, the Group would hold 17.6% effective interest in Rosedale Beijing after the capital increase agreement and Rosedale Beijing will cease to be a subsidiary of the Company and resulted in a deemed disposal of Rosedale Beijing (the "Deemed Disposal"). The Deemed Disposal was subject to certain conditions before completion amongst which, includes the approval by the regulatory government bodies in the PRC.

The functional currency of Rosedale Beijing is Renminbi. The unaudited financial information is presented in Hong Kong dollars for management review on the proposed very substantial disposal of Rosedale Beijing.

2. Basis of preparation of the unaudited financial information

The unaudited financial information of Rosedale Beijing for the three years ended 31 December 2012 and the four-month ended 30 April 2013 (together the "Unaudited Financial Information") has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by the Company in connection with the Deemed Disposal.

The amounts included in the Unaudited Financial Information of Rosedale Beijing have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries for the relevant years or period, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard (the "HKAS") 1 "Presentation of Financial Statements" nor an interim report as defined in HKAS 34 "Interim Financial Reporting" issued by the HKICPA.

In preparing the Unaudited Financial Information of Rosedale Beijing, the directors of Rosedale Beijing have given consideration to the future liquidity of Rosedale Beijing in light of the fact that Rosedale Beijing incurred losses throughout the years ended 31 December 2010, 2011 and 2012 and for the four-month ended 30 April 2013, and as of 31 December 2010, 2011 and 2012 and 30 April 2013, Rosedale Beijing had net current liabilities of HK$289,069,000, HK$307,795,000, HK$312,678,000 and HK$316,288,000, respectively. Taking into account of the cash available from the capital contribution of US$68,800,000 (approximately HK$533,900,000) by an investor, the directors of Rosedale Beijing are confident that Rosedale Beijing will be able to meet its financial obligations as and when they fall due in the foreseeable future and be able to operate on a going concern. In addition, the ultimate holding company of Rosedale Beijing, the Company, has agreed to provide adequate funds to it to meet in full its financial obligations as they fall due in the foreseeable future if the capital contribution is not successful. Accordingly, the Unaudited Financial Information has been prepared on a going concern basis.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The following is a summary of an illustrative and unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Remaining Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Deemed Disposal, as if the Deemed Disposal were completed on 31 December 2012 for the unaudited pro forma consolidated statement of financial position and as if the Deemed Disposal were completed on 1 January 2012 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. The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared on the basis that Rosedale Beijing, upon Completion and as if the Deemed Disposal were completed on 31 December 2012 or 1 January 2012 for the purposes of the unaudited pro forma consolidated statement of financial position and unaudited pro forma consolidated statement of profit or loss and other comprehensive income, respectively, would be classified as an associate of the Remaining Group and would be accounted for using the equity method on the basis that the Remaining Group has significant influence on the operation of Rosedale Beijing through the holding of approximately 88.2% equity interest in DS Eastin as at 31 December 2012, which in turn holds 20% equity interest in Rosedale Beijing upon Completion.

This Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2012 or at any future date or the results and cash flows of the Group for the year ended 31 December 2012 or for any future period.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2012 as disclosed in the 2012 annual report of the Company, and other financial information included elsewhere in the Circular.

Unaudited pro forma consolidated statement of financial position of the Remaining Group

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2012, which has been extracted from the annual report of the Company for the year then ended, with the pro forma adjustments relating to the Deemed Disposal, which include, amongst others, the deconsolidation of the assets and liabilities attributable to Rosedale Beijing as explained in notes below and other adjustments directly attributable to the transaction and factually supportable.

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2012, which has been extracted from the annual report of the Company for the year then ended, with the pro forma adjustments relating to the Deemed Disposal, which include, amongst others, the deconsolidation of the results and the exclusion of the cash flows attributable to Rosedale Beijing respectively, as explained in notes below and other adjustments directly attributable to the transaction and factually supportable.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	The Group as at 31 December 2012	Pro forma adjustments				Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Unaudited)*
Non-current assets						
Property, plant and equipment	2,202,407	(664,769)	–	–	–	1,537,638
Investment properties	324,000	–	–	–	–	324,000
Interest in associates	4	–	–	261,355	–	261,359
Interests in jointly controlled entities	17,050	–	–	–	–	17,050
Available-for-sale investments	63,877	–	–	–	–	63,877
Amounts due from an associate	31,896	–	–	–	–	31,896
Pledged bank deposits	11,780	(1,673)	–	–	–	10,107
Club debentures, at cost less impairment	520	–	–	–	–	520
Other assets	50,804	–	–	–	–	50,804
	2,702,338	(666,442)	–	261,355	–	2,297,251
Current assets						
Inventories	6,184	(2,535)	–	–	–	3,649
Trade and other receivables	54,001	(7,956)	–	–	–	46,045
Amounts due from fellow subsidiaries	–	(367)	367	–	–	–
Investments held for trading	290	–	–	–	–	290
Pledged bank deposits	3,263	–	–	–	–	3,263
Bank balances and cash	364,066	(8,257)	313,864	626,378	(220,000)	1,076,051
	427,804	(19,115)	314,231	626,378	(220,000)	1,129,298
Current liabilities						
Trade and other payables	117,061	(16,821)	–	–	–	100,240
Tax liabilities	11,571	–	–	63,138	–	74,709
Amounts due to fellow subsidiaries	–	(28,894)	28,894	–	–	–
Amount due to immediate holding company	–	(37,553)	37,553	–	–	–
Loan from immediate holding company	–	(247,784)	247,784	–	–	–
Borrowings – amount due within one year	467,889	(741)	–	–	(14,000)	453,148
Amounts due to non-controlling shareholders of subsidiaries	9,157	–	–	–	–	9,157
Derivative financial instrument	2,730	–	–	–	–	2,730
	608,408	(331,793)	314,231	63,138	(14,000)	639,984
Net current (liabilities) assets	(180,604)	312,678	–	563,240	(206,000)	489,314
Total assets less current liabilities	2,521,734	(353,764)	–	824,595	(206,000)	2,786,565

	The Group as at 31 December 2012	Pro forma adjustments				Pro forma Remaining Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Audited)	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Unaudited)
Non-current liabilities						
Borrowings – amount due after one year	458,222	(2,222)	–	–	(206,000)	250,000
Deferred taxation	173,754	(107,693)	–	29,040	–	95,101
	631,976	(109,915)	–	29,040	(206,000)	345,101
	1,889,758	(243,849)	–	795,555	–	2,441,464
Capital and reserves						
Share capital	6,577	–	–	–	–	6,577
Reserves	1,698,410	–	–	511,983	–	2,210,393
Equity attributable to owners of the Company	1,704,987	–	–	511,983	–	2,216,970
Non-controlling interests	184,771	(28,774)	–	68,497	–	224,494
Total equity	1,889,758	(28,774)	–	580,480	–	2,441,464

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2012

	The Group for the year ended 31 December 2012	Pro forma adjustments				Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Unaudited)*
Turnover	429,466	(96,126)	–	–	–	333,340
Direct operating costs	(318,660)	66,346	–	–	–	(252,314)
Gross profit	110,806	(29,780)	–	–	–	81,026
Interest income	194	–	–	–	–	194
Other income and gains	3,419	(147)	–	–	–	3,272
Distribution and selling expenses	(5,550)	–	–	–	–	(5,550)
Administrative expenses	(162,965)	38,718	–	–	–	(124,247)
Finance costs	(18,602)	17,748	(17,458)	–	–	(18,312)
Gain on disposal of available-for-sale investments	17,037	–	–	–	–	17,037
Impairment loss recognised in respect of other intangible assets	(34,081)	–	–	–	–	(34,081)
Impairment loss recognised in respect of property, plant and equipment	(44,183)	–	–	–	–	(44,183)
Increase in fair value of investments held for trading	1,849	–	–	–	–	1,849
Gain on disposal of subsidiaries	2,216	–	–	–	–	2,216
Gain on deemed disposal of a subsidiary	–	–	–	783,031	–	783,031
Loss on disposal of property, plant and equipment	(26,251)	–	–	–	–	(26,251)
Increase in fair value of investment properties	9,971	–	–	–	–	9,971
Share of results of associates	(2,100)	–	–	–	(4,117)	(6,217)
Fair value gain on derivative financial instrument	128	–	–	–	–	128
(Loss) profit before taxation	(148,112)	26,539	(17,458)	783,031	(4,117)	639,883
Taxation expenses	(933)	(5,955)	–	(92,610)	–	(99,498)
(Loss) profit for the year	(149,045)	20,584	(17,458)	690,421	(4,117)	540,385

	The Group for the year ended 31 December 2012	Pro forma adjustments				Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Unaudited)*
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference arising on translation of foreign operations	5,822	–	–	–	–	5,822
Reclassification adjustment of translation reserve upon deemed disposal of a subsidiary	–	–	–	(110,968)	–	(110,968)
Total comprehensive (expense) income for the year	(143,223)	20,584	(17,458)	579,453	(4,117)	435,239
(Loss) profit for the year attributable to:						
Owners of the Company	(143,188)	18,155	(15,398)	592,493	(3,631)	448,431
Non-controlling interests	(5,857)	2,429	(2,060)	97,928	(486)	91,954
	(149,045)	20,584	(17,458)	690,421	(4,117)	540,385
Total comprehensive (expense) income attributable to:						
Owners of the Company	(137,366)	18,155	(15,398)	481,525	(3,631)	343,285
Non-controlling interests	(5,857)	2,429	(2,060)	97,928	(486)	91,954
	(143,223)	20,584	(17,458)	579,453	(4,117)	435,239

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	The Group for the year ended 31 December 2012	Pro forma adjustments									Pro forma remaining group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	*(Note 12)*	*(Note 13)*	*(Note 14)*	*(Note 15)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES											
(Loss) profit for the year	(149,045)	690,421	(4,117)	20,584	(17,458)	–	–	–	–	–	540,385
Adjustments for:											
Share of results of associates	2,100	–	4,117	–	–	–	–	–	–	–	6,217
Depreciation and amortisation of property, plant and equipment	76,804	–	–	(30,375)	–	–	–	–	–	–	46,429
Interest Income	(194)	–	–	–	–	–	–	–	–	–	(194)
Income tax	–	92,610	–	5,955	–	–	–	–	–	–	98,565
Other interest expenses	13,102	–	–	(17,748)	17,458	–	–	–	–	–	12,812
Loss on disposal of property, plant and equipment	26,251	–	–	(381)	–	–	–	–	–	–	25,870
Fair value gain on derivative financial instrument	(128)	–	–	–	–	–	–	–	–	–	(128)
Gain on disposal of available-for-sale investments	(17,037)	–	–	–	–	–	–	–	–	–	(17,037)
Impairment loss recognised in respect of other intangible assets	34,081	–	–	–	–	–	–	–	–	–	34,081
Impairment loss recognised in respect of property, plant and equipment	44,183	–	–	–	–	–	–	–	–	–	44,183
Increase in fair value of investments held for trading	(1,849)	–	–	–	–	–	–	–	–	–	(1,849)
Gain on disposal of subsidiaries	(2,216)	–	–	–	–	–	–	–	–	–	(2,216)
Gain on deemed disposal of a subsidiary	–	(783,031)	–	–	–	–	–	–	–	–	(783,031)
Increase in fair value of investment properties	(9,971)	–	–	–	–	–	–	–	–	–	(9,971)
Amortisation of other intangible assets	4,937	–	–	–	–	–	–	–	–	–	4,937
Operating cash flows before movements in working capital	21,018	–	–	(21,965)	–	–	–	–	–	–	(947)
Movements in working capital											
Decrease in trade and other receivables	12,229	–	–	1,203	–	95	–	–	–	–	13,527
Decrease in investments held for trading	17,241	–	–	–	–	–	–	–	–	–	17,241
Increase in inventories	(96)	–	–	(59)	–	–	–	–	–	–	(155)
Increase in amounts due from fellow subsidiaries	–	–	–	95	–	(95)	–	–	–	–	–
Increase in other assets	(17,943)	–	–	–	–	–	–	–	–	–	(17,943)
Decrease in trade and other payables	(13,114)	–	–	(396)	–	2,395	–	–	–	–	(11,115)
Decrease in amounts due to fellow subsidiaries	–	–	–	2,395	–	(2,395)	–	–	–	–	–
	(1,683)	–	–	3,238	–	–	–	–	–	–	1,555
Cash generated from operations	19,335	–	–	(18,727)	–	–	–	–	–	–	608
Taxation (paid) refunded in the People's Republic of China	(5,441)	–	–	–	–	–	–	–	–	–	(5,441)
Net cash from (used in) operating activities	13,894	–	–	(18,727)	–	–	–	–	–	–	(4,833)

	The Group for the year ended 31 December 2012	Pro forma adjustments									Pro forma remaining group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	*(Note 12)*	*(Note 13)*	*(Note 14)*	*(Note 15)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES											
Additions to property, plant and equipment and investment properties	(240,778)	–	–	8,619	–	–	–	–	–	–	(232,159)
Placement of pledged bank deposits	(55,916)	–	–	–	–	–	–	–	–	–	(55,916)
Proceeds from deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	620,206	–	620,206
Proceeds from disposal of available-for-sale investment	71,296	–	–	–	–	–	–	–	–	–	71,296
Withdrawal of pledged bank deposits	55,806	–	–	(187)	–	–	–	–	–	–	55,619
Proceeds from disposal of property, plant and equipment	22,481	–	–	(73)	–	–	–	–	–	–	22,408
Repayment from an investee	12,300	–	–	–	–	–	–	–	–	–	12,300
Interest received	194	–	–	–	–	–	–	–	–	–	194
Net cash flows (used in) from investing activities	(134,617)	–	–	8,359	–	–	–	–	620,206	–	493,948
CASH FLOWS FROM FINANCING ACTIVITIES											
New borrowings raised	289,000	–	–	–	–	–	–	–	–	–	289,000
Repayment of bank loans and other loans	(69,732)	–	–	741	–	–	–	–	–	(220,000)	(288,991)
Purchase of shares of subsidiaries from non-controlling shareholders	(62,000)	–	–	–	–	–	–	–	–	–	(62,000)
Repayment of loan from a related company	(14,569)	–	–	–	–	–	–	–	–	–	(14,569)
Repayment of DS Eastin Loan from Rosedale Beijing	–	–	–	–	–	–	(133)	276,896	–	–	276,763
Repayment to immediate holding company	–	–	–	69	–	–	(69)	–	–	–	–
Advance from immediate holding company	–	–	–	(202)	–	–	202	–	–	–	–
Repayment of advances to Rosedale Beijing	–	–	–	–	–	28,527	–	–	–	–	28,527
Interest paid	(13,102)	–	–	9,440	(9,150)	–	–	–	–	–	(12,812)
Repayment to a related company	(100)	–	–	–	–	–	–	–	–	–	(100)
Net cash from financing activities	129,497	–	–	10,048	(9,150)	28,527	–	276,896	–	(220,000)	215,818
Net increase in cash and cash equivalents	8,774	–	–	(320)	(9,150)	28,527	–	276,896	620,206	(220,000)	704,933
Cash and cash equivalents at beginning of the year	353,202	–	–	–	–	–	–	–	–	–	353,202
Effect of foreign exchange rate change	2,090	–	–	–	–	–	–	–	–	–	2,090
Cash and cash equivalents at end of the year, represented by Bank balances and cash	364,066	–	–	(320)	(9,150)	28,527	133	276,896	620,206	(220,000)	1,060,225

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

For the purpose of Unaudited Pro Forma Financial Information, the exchange rates for currency conversion into HK$ are at RMB1 to HK$1.235 and US$1 to RMB6.24 respectively as at 31 December 2012. The exchange rates for currency conversion into HK$ are at RMB1 to HK$1.235 and US$1 to RMB6.34 respectively as at 1 January 2012.

As at 1 January 2012, the Group held effective interest of 83.1% of Rosedale Beijing. On 13 January 2012, the Group acquired an additional equity interest of approximately 5.1% of the issued share capital of Apex Quality Group Limited ("Apex"), of which DS Eastin is an indirect wholly-owned subsidiary. Following the completion of this transaction in January 2012, the Group's equity interest in Apex increased approximately from 83.1 to 88.2%.

(1) The adjustment represents the deconsolidation of the assets and liabilities of Rosedale Beijing as at 31 December 2012, as set out in Appendix II to this circular, from the audited consolidated statement of financial position of the Group and the derecognition of 11.8% of non-controlling interests in Rosedale Beijing as at 31 December 2012 as if the Deemed Disposal were completed and the control over Rosedale Beijing by the Group were lost on 31 December 2012.

(2) The adjustment represents, as one of the conditions precedent to Completion, the repayment to be made by Rosedale Beijing to settle (i) the outstanding amounts due to DS Eastin's related parties (including amounts due from fellow subsidiaries of HK$367,000 as at 31 December 2012 and amounts due to fellow subsidiaries of HK$28,894,000 as at 31 December 2012); (ii) DS Eastin Loan (including amount due to immediate holding company of HK$37,553,000 as at 31 December 2012 and loan from immediate holding company of HK$247,784,000 as at 31 December 2012) in full.

Besides, Rosedale Beijing shall itself settle the BEA China Loan of HK$2,963,000 from the proceeds of the Capital Injection which is derecognised of the related liabilities in note 1.

(3) The adjustment represents the recognition of the Group's remaining interest in Rosedale Beijing upon Completion and the estimated gain arising from the Deemed Disposal as if the Deemed Disposal were completed and the control over Rosedale Beijing by the Group were lost on 31 December 2012 calculated as follows:

	HK$'000
Total net Compensated Amount *(note a)*	631,378
Estimated costs directly attributable to the Deemed Disposal	(5,000)
Net compensated amount after costs directly attributable to the Deemed Disposal	626,378
Assets and liabilities of Rosedale Beijing as at 31 December 2012 *(note b)*	(243,849)
Non-controlling interests in Rosedale Beijing as at 31 December 2012 *(note c)*	28,774
Recognition of remaining 20% interest in Rosedale Beijing retained by the Remaining Group and classified as an associate *(note d)*	261,355
Estimated gain on the Deemed Disposal before taxation before release of attributable reserve	672,658
Release of cumulative translation reserve upon the Deemed Disposal attributable to the owners of the Company as at 31 December 2012	117,778
Estimated gain on the Deemed Disposal before taxation	790,436
Taxation *(note e)*	(92,178)
Estimated gain on the Deemed Disposal after taxation	698,258

Attributable to:	Estimated gain on the Deemed Disposal after tax *HK$'000*	Reclassification adjustment of transaction reserve upon Deemed Disposal *HK$'000*	Total *HK$'000*
Owners of the Company (representing 88.2% interest in Rosedale Beijing)	629,761	(117,778)	511,983
Non-controlling interests (representing 11.8% interest in Rosedale Beijing)	68,497	–	68,497
	698,258	(117,778)	580,480

Notes:

(a) The estimated net Compensated Amount of approximately HK$631,378,000 is calculated based on the Compensated Amount of approximately RMB800,000,000 (equivalent to approximately HK$988,000,000), deducting (i) the repayment of the DS Eastin Loan (including amount due to immediate holding company of HK$37,553,000 and loan from immediate holding company of HK$247,784,000) in full; (ii) the amount due by Rosedale Beijing to BEA China of HK$2,963,000; (iii) 20% of the Residual Capital after the Capital Injection retained in Rosedale Beijing of HK$48,380,000 by the Remaining Group; and (iv) 80% of negative amount of the Net Current Assets to be as a compensation of HK$19,942,000 to be paid by the Remaining Group.

The Residual Capital is calculated as follows:

	HK$'000
Proposed capital contribution of US$68,800,000 by the Investor	530,200
Less: Settlement of the DS Eastin Loan	(285,337)
Settlement of BEA China Loan	(2,963)
Residual Capital	241,900
20% of the Residual Capital retained in Rosedale Beijing by the Remaining Group	48,380

In addition, based on the Capital Increase Agreement, there is an additional compensation to be received or a compensation to be paid by the Remaining Group. If the Net Current Assets of Rosedale Beijing as shown in the Completion Accounts which is prepared in accordance with the relevant accounting principles and financial regulations applicable to the entities established in the PRC ("PRC GAAP") (exclusive of the outstanding DS Eastin Loan and BEA China Loan) is a positive amount, the Investor shall pay to DS Eastin a sum equal to 80% of such amount; whereas if the Net Current Assets as shown in the Completion Accounts is a negative amount, DS Eastin shall pay to the Investor a sum equal to 80% of such amount, within seven Business Days after receipt of the Completion Accounts. Such compensation is calculated assuming the Deemed Disposal had taken place on 31 December 2012 as follow:

	HK$'000
Inventories	2,535
Trade and other receivables	7,956
Amounts due from fellow subsidiaries	367
Pledged bank deposits to be released upon Completion and reclassified as current assets	1,673
Bank balances and cash	8,257
Trade and other payables	(16,821)
Amounts due to fellow subsidiaries	(28,894)
Net Current Assets*	(24,927)
80% of negative amount of the Net Current Assets to be a compensation to be paid by the Remaining Group	(19,942)

* *In the opinion of the directors of the Company, no deferred taxation was provided to the Completion Accounts which is prepared in accordance with PRC GAAP, and therefore it is excluded from the above calculation.*

(b) The amount represents the assets and liabilities of Rosedale Beijing of approximately HK$243,849,000 as set out in Appendix II to this Circular.

(c) The amount represents the non-controlling interests of Rosedale Beijing at approximately 11.8% of the net assets value of approximately HK$243,849,000 as at 31 December 2012 as stated in Appendix II to this Circular.

(d) By assuming the Deemed Disposal had taken place on 31 December 2012, DS Eastin would hold approximately 20% equity interest in Rosedale Beijing (through the holding of approximately 88.2% equity interest in DS Eastin, the Remaining Group would hold 17.6% effective interest in Rosedale Beijing). The Remaining Group has significant influence on the operation of Rosedale Beijing subsequent to the completion of the Deemed Disposal. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the remaining 20% interest in Rosedale Beijing approximates to its fair value as at 31 December 2012, which is estimated on a pro forma basis with reference to the total consideration paid by the Investor. The valuation of the remaining 20% interest will be carried out as at the completion date of the Deemed Disposal.

	HK$'000
Proposed capital contribution by the Investor	530,200
Net Compensated Amount paid by the Investor	631,378
Cash consideration representing 80% equity interest in Rosedale Beijing	1,161,578
20% equity interest in Rosedale Beijing held by DS Eastin	290,395
Less: Deferred taxation at tax rate of 10% on the estimated fair value of the associate	(29,040)
	261,355

(e) Taxation consists of taxation payable of HK$63,138,000 on the Deemed Disposal of Rosedale Beijing at a tax rate of 10% on the total net Compensated Amount and deferred taxation of HK$29,040,000 on recognition of 20% equity interest in Rosedale Beijing.

The financial effect and actual amount of gain from the Deemed Disposal will be determined based on the carrying amount of the net assets value of Rosedale Beijing, the carrying amount of non-controlling interests in Rosedale Beijing and the fair value of investment retained in Rosedale Beijing upon Completion, and may be different from the above calculation.

(4) The adjustment represents, as one of the conditions precedent to Completion, the repayment of BEA Hong Kong Loan of HK$220,000,000 due by the Remaining Group as at 31 December 2012 assuming the Deemed Disposal had taken place on 31 December 2012.

(5) The adjustment represents the deconsolidation of the results attributable to Rosedale Beijing, as set out in Appendix II to this circular, from the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2012 as if had taken place on 1 January 2012. This adjustment is not expected to have a continuing effect on the Remaining Group.

(6) The adjustment represents the elimination of the inter-company finance costs charged to Rosedale Beijing for the year ended 31 December 2012. The adjustment is not expected to have a continuing effect on the Remaining Group.

(7) The adjustment reflects the estimated gain arising from the Deemed Disposal as if the Deemed Disposal had taken place on 1 January 2012:

	HK$'000
Total net Compensated Amount *(note a)*	633,143
Estimated costs directly attributable to the Deemed Disposal	(5,000)
Net compensated amount after estimated costs directly attributable to the Deemed Disposal	628,143
Assets and liabilities of Rosedale Beijing as at 1 January 2012 *(note b)*	(264,433)
Non-controlling interests in Rosedale Beijing as at 1 January 2012 *(note c)*	44,689
Recognition of remaining 20% interest in Rosedale Beijing retained by the Remaining Group and classified as an associate *(note d)*	263,664
Estimated gain on the Deemed Disposal before taxation before release of attributable reserve	672,063
Release of cumulative translation reserve upon the Deemed Disposal attributable to the owners of the Company as at 1 January 2012	110,968
Estimated gain on the Deemed Disposal before taxation	783,031
Taxation *(note e)*	(92,610)
Estimated gain on the Deemed Disposal after taxation	690,421

Attributable to:	**Total** *HK$'000*
Owners of the Company (representing 83.1% interest in Rosedale Beijing)	592,493
Non-controlling interests (representing 16.9% interest in Rosedale Beijing)	97,928
	690,421

Notes:

(a) The estimated net Compensated Amount of approximately HK$633,143,000 is calculated based on the Compensated Amount of approximately RMB800,000,000 (equivalent to approximately HK$988,000,000) deducting (i) the repayment of the DS Eastin Loan (including amount due to immediate holding company of HK$29,112,000 and loan from immediate holding company of HK$247,784,000) in full; (ii) the amount due by Rosedale Beijing to BEA China of HK$3,704,000; (iii) 20% of the Residual Capital after the Capital Injection retained in Rosedale Beijing of HK$51,619,000 by the Remaining Group; and (iv) 80% of negative amount of the Net Current Assets to be a compensation of HK$22,638,000 to be paid by the Remaining Group.

The Residual Capital is calculated as follows:

	HK$'000
Proposed capital contribution of US$68,800,000 by the Investor	538,697
Less: Settlement of the DS Eastin Loan	(276,896)
Settlement of BEA China Loan	(3,704)
Residual Capital	258,097
20% of the Residual Capital retained in Rosedale Beijing by the Remaining Group	51,619

In addition, based on the Capital Increase Agreement, there is an additional compensation to be received or a compensation to be paid by the Remaining Group. If the Net Current Assets of Rosedale Beijing as shown in the Completion Accounts which is prepared in accordance with the PRC GAAP (exclusive of the outstanding DS Eastin Loan and BEA China Loan) is a positive amount, the Investor shall pay to DS Eastin a sum equal to 80% of such amount; whereas if the Net Current Assets as shown in the Completion Accounts is a negative amount, DS Eastin shall pay to the Investor a sum equal to 80% of such amount, within seven Business Days after receipt of the Completion Accounts. Such compensation is calculated assuming the Deemed Disposal had taken place on 1 January 2012 as follow:

	HK$'000
Inventories	2,594
Trade and other receivables	6,753
Amounts due from fellow subsidiaries	272
Pledged bank deposits to be released upon Completion and reclassified as current assets	1,860
Bank balances and cash	7,937
Trade and other payables	(16,425)
Amounts due to fellow subsidiaries	(31,289)
Net Current Assets*	(28,298)
80% of negative amount of the Net Current Assets to be a compensation to be paid by the Remaining Group	(22,638)

* *In the opinion of the directors of the Company, no deferred taxation was provided to the Completion Accounts which is prepared in accordance with PRC GAAP, and therefore it is excluded from the above calculation.*

(b) The amount represents the assets and liabilities of Rosedale Beijing of approximately HK$264,433,000 as set out in Appendix II to this circular.

(c) The amount represents the non-controlling interests of Rosedale Beijing at approximately 16.9% of the net assets value of approximately HK$264,433,000 as at 1 January 2012 as stated in Appendix II to this Circular.

(d) By assuming the Deemed Disposal had taken place on 1 January 2012, DS Eastin would hold approximately 20% equity interest in Rosedale Beijing (through the holding of approximately 83.1% equity interest in DS Eastin, the Remaining Group would hold 16.6% effective interest in Rosedale Beijing). The Remaining Group has significant influence on the operation of Rosedale Beijing subsequent to the completion of the Deemed Disposal. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the remaining 20% interest in Rosedale Beijing approximates to its fair value as at 1 January 2012, which is estimated on a pro forma basis with reference to the total consideration paid by the Investor. The valuation of the remaining 20% interest will be carried out as at the completion date of the Deemed Disposal.

	HK$'000
Proposed capital contribution by the Investor	538,697
Net Compensated Amount paid by the Investor	633,143
Cash consideration representing 80% equity interest in Rosedale Beijing	1,171,840
20% equity interest in Rosedale Beijing held by DS Eastin	292,960
Less: Deferred taxation at tax rate 10% on the estimated fair value of the associate	(29,296)
	263,664

(e) Taxation consists of taxation payable of HK$63,314,000 on the Deemed Disposal of Rosedale Beijing at a tax rate of 10% on the total net Compensated Amount and deferred taxation of HK$29,296,000 on recognition of 20% equity interest in Rosedale Beijing.

The financial effect and actual amount of gain from the Deemed Disposal will be determined based on the carrying amount of the net assets value of Rosedale Beijing, the carrying amount of non-controlling interests in Rosedale Beijing and the fair value of investment retained in Rosedale Beijing upon Completion, and may be different from the above calculation. The adjustment is not expected to have a continuing effect on the Remaining Group.

(8) The adjustment represents the share of loss of Rosedale Beijing of HK$4,117,000 as an associate for the year ended 31 December 2012 in proportion to approximately 20% equity interest held by DS Eastin upon Completion as if the Deemed Disposal had taken place on 1 January 2012 and Rosedale Beijing became an associate of the Remaining Group for the year ended 31 December 2012. The adjustment is expected to have a continuing effect on the Remaining Group.

(9) The adjustment represents the exclusion of the cash flows of Rosedale Beijing from the audited consolidated statement of cash flows of the Group for the year ended 31 December 2012 as if the Deemed Disposal had taken place on 1 January 2012. The adjustment is not expected to have a continuing effect on the Remaining Group.

(10) The adjustment represents the elimination of the inter-company finance costs of HK$17,458,000 charged to Rosedale Beijing and the inter-company cash flows of finance costs of HK$9,150,000 paid by Rosedale Beijing for the year ended 31 December 2012 assuming the Deemed Disposal had taken place on 1 January 2012. The adjustment is not expected to have a continuing effect on the Remaining Group.

(11) The adjustment represents the reclassification of inter-company cash flows between the Remaining Group and Rosedale Beijing so as to align with the presentation adopted by the Remaining Group with regard to their nature, and repayment of advances to Rosedale Beijing of HK$28,527,000 (including the amounts due from fellow subsidiaries of HK$367,000 and amounts due to fellow subsidiaries of HK$28,894,000), as Rosedale Beijing is not fellow subsidiary of the Remaining Group upon Completion assuming the Deemed Disposal had taken place on 1 January 2012. The adjustment is not expected to have a continuing effect on the Remaining Group.

(12) The adjustment represents the reclassification of the inter-company cash flows with immediate holding company of Rosedale Beijing for the year ended 31 December 2012. The adjustment is not expected to have a continuing effect on the Remaining Group.

(13) The adjustment represents, as one of the conditions precedent to Completion, the repayment of HK$276,896,000 to be made by Rosedale Beijing to settle the DS Eastin Loan (including amount due to immediate holding company of HK$29,112,000 and loan from immediate holding company of HK$247,784,000) in full, as if the Deemed Disposal had taken place on 1 January 2012. The adjustment is not expected to have a continuing effect on the Remaining Group.

(14) The net cash inflow of HK$620,206,000 represents the estimated total net Compensated Amount of HK$633,143,000 less (i) estimated direct costs of HK$5,000,000 such as legal and professional fees; (ii) cash and cash equivalents of Rosedale Beijing as at 1 January 2012 of HK$7,937,000, as if the Deemed Disposal had taken place on 1 January 2012. The adjustment is not expected to have a continuing effect on the Remaining Group.

(15) The adjustment represents, as one of the conditions precedent to Completion, the repayment of BEA Hong Kong Loan of HK$220,000,000 due by the Remaining Group assuming the Deemed Disposal had taken place on 1 January 2012. The adjustment is not expected to have a continuing effect on the Remaining Group.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of the independent reporting accountants' assurance report in respect of the unaudited pro forma financial information of the Group received from Deloitte Touche Tohmatsu, Certified Public Accountants, for inclusion in this circular.

Deloitte.
德勤

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

TO THE DIRECTORS OF ROSEDALE HOTEL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Rosedale Hotel Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consisted of the unaudited pro forma consolidated statement of financial position as at 31 December 2012, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012, the unaudited pro forma statement of cash flows for the year ended 31 December 2012 and related notes as set out on pages III-3 to III-18 of the circular issued by the Company dated 26 July 2013 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed deemed disposal of Rosedale Hotel Beijing Co., Ltd. on the Group's financial position as at 31 December 2012 and the Group's financial performance and cash flows for the year ended 31 December 2012 as if the transaction had taken place at 31 December 2012 and 1 January 2012 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 31 December 2012, on which an audit report has been published.

DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("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 accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited 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 31 December 2012 or 1 January 2012 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

OPINION

In our opinion:

a) the unaudited pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 July 2013

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 31 May 2013 of the Property.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

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香港灣仔軒尼詩道145號
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26 July 2013

The Board of Directors
Rosedale Hotel Holdings Limited
31/F Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
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 Rosedale Hotel Holdings Limited (referred to as the "**Company**") to value the captioned property interests (referred to as the "**Property**") situated in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections of the Property, 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 Property as at 31 May 2013 (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of the Property 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 Property 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 Property is currently being operated as hotels, 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 of the Property in associate 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, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Property.

As the Property is held by the owner by means of long term land use rights granted by the 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 Property can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the 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 Property. However, we have not verified ownership of the Property and the existence of any encumbrances that would affect ownership of the Property.

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 the Company on the relevant laws and regulations in the PRC, on the nature of land use rights and the owner's interests in the Property.

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 have 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 Property.

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 Property.

We have not carried out detailed site measurements to verify the correctness of the site area and floor areas in respect of the Property but have assumed that the floor areas shown on the 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 Property was inspected on 4 July 2013 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 Property 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 Property.

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 Property, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

The Property has been valued in Hong Kong Dollars (HK$). Whenever applicable, an exchange rate of Renminbi (RMB) 1 to HK$1.26 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 10 years' experience in valuation of Property in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property held and operated by the Company

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2013 *HK$*
Rosedale Hotel & Suites, Beijing No. 8 Jiang Tai Road West Chao Yang District Beijing the PRC	The Property comprises a site with an area of 18,711.62 square metres on which a 20-storey hotel building is erected. In addition, 2 basement levels are provided underneath. The Property was completed in 1990. The Property also includes 3 blocks of single to 2-storey ancillary building. As at the valuation date, the Property was not in the process of being developed. The Property has a total gross floor area of 37,173.20 square metres (including superstructure gross floor area of 29,810.80 square metres and substructure gross floor area of 7,362.40 square metres) The Property comprises a total of 462 guest rooms, a shopping arcade, restaurants, lobby lounge, bar, executive lounge, coffee shop, fitness centre, ballroom, multi-purpose function rooms, business centre and car parking spaces. The Property is situated at the east part of Beijing and is less than 30 minutes' drive from the Beiijing 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 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 Property and offering open view to the subject development. The Property is held for a land use right term of 50 years expiring on 21 November 2044.	As at the date of our inspection, the Property was being operated as a fully operational hotel.	1,190,700,000 (88.7% interest attributable to the Company: HK$1,056,150,900.) See notes 4 and 5 below

Notes:

1. According to a State-owned Land Use Right Certificate (Ref No. 京朝國用(2011出)第00112號) dated 23 March 2011 and a Building Ownership Certificate (Ref No. 京房權証市朝港澳台字第10156號) dated 22 November 2005, the Property is held by Rosedale Hotel Beijing Co., Ltd. (北京珀麗酒店有限責任公司) for a term of 50 years expiring on 21 November 2044. The Land Use Right Certificate and Building Ownership Certificate were pledged to The Bank of East Asia (China) Ltd. by a mortgage dated 28 February 2011.

2. Rosedale Hotel Beijing Co., Ltd. (北京珀麗酒店有限責任公司) is a wholly-foreign owned entity held by DS Eastin Limited, a 88.7%-owned subsidiary of the Company as at the latest practicable date. Therefore, the Company holds an effective interest of 88.7% in the Property.

3. We have valued the Property as an operational entity on going concern basis on the assumption that the existing business operations in the Property will be continued. Our valuation reflects the value of all chattels and fitting out within the Property in associate with the hotel business operations.

4. As revealed from a Construction Project Urban Planning Conditions (2013規條字0008號) issued by the Beijing Municipal Commission of Urban Planning (北京市規劃委員會) on 24 January 2013, the subject land parcel is subject to the following material planning conditions:

Planned land use	:	C2 Commercial and Finance
Total development land area	:	14,700 square metres
Permissible Gross Floor Area	:	54,780 square metres (Superstructure)
Permissible Building Height	:	100 metres
Greenery land ratio	:	not less than 30%

5. According to the aforesaid Construction Project Urban Planning Conditions and given the total gross floor area of the existing buildings of the Property, the development potential of the subject land parcel is not yet been fully utilized. In this regards, the Company has planned to develop a luxurious hotel tower accommodating a total of 250 guest rooms 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 Property on the assumption that the Company shall have no legal impediment in obtaining all necessary approvals and consents from the Government for the construction of the Extension Project.

6. As revealed from a reply letter in relation to the application on the Extension Project (京國土利函[2012]37號) issued by the Beijing Muncipal Bureau of Land and Resources (the "Bureau") on 16 January 2012, the Bureau has approved in principle the construction of the Extension Project on condition that:

   i. the area, the boundary and the use of the subject land parcel shall remain unchanged subject to the urban planning conditions in respect of the subject land parcel;

   ii. Rosedale Hotel Beijing Co., Ltd. shall make application for modification of the State-owned Land Use Right Grant Contract in the Bureau; and

   iii pay additional land premium (as assessed in accordance with the prevailing policies).

7. As revealed from a Notice on Land Preparatory Evaluation for Development Project（建設項目土地預審告知單, Ref 朝發改投資告知函[2013]28號）issued by the Beijing Chaoyang District Development and Reform Committee on 20 June 2013, the committee confirmed that the development project planning conditions have been imposed onto the Property via the Construction Project Urban Planning Conditions (as mentioned in note 4 above). The committee urged Rosedale Hotel Beijing Co., Ltd. to launch application to the Bureau for performing land use evaluation in accordance with the prescribed procedures.

8. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Certificate	:	Yes
Building Ownership Certificate	:	Yes
Business Licence	:	Yes

9. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. In accordance with the State-owned Land Use Right Certificate (Series No. 京朝國用(2011出)第00112號）issued by the Beijing People's Government of Chao Yang District on 23 March 2011 and the Building Ownership Certificate (Ref No. 京房權証市朝港澳台字第10156號）issued by the Beijing Municipal Construction Commission on 22 November 2005, Rosedale Hotel Beijing Co., Ltd.（北京珀麗酒店有限責任公司）is the sole legal owner of the land use rights and the buildings of the property for a land use right term expiring on 21 November 2044. The land use rights and the building ownership rights of the Property were subject to a mortgage in favour of Bank of East Asia (China) Limited.

   ii. On 26 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 18,169.96 square metres 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 an extension project (the "Extension Project") to the Property in order to increase the total gross floor area of the Property to approximately 54,780 square metres. 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 16 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 Property 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, to enter into a Supplement State-owned Land Use Right Grant Contract (the "Supplement Agreement") with the Bureau and pay the additional land premium as reviewed and decided by the Bureau in accordance with the applicable policies.

iv. On 24 January 2013, the Beijing Municipal Commission of Urban Planning laid down the Construction Project Urban Planning Conditions for the carrying out the Extension Project for the Property. Material planning conditions include the followings:

- Total development land area: 14,700 square metres
- Land Use: Commerce and Finance
- Use of Building: Hotel
- Total Floor Area: not more than 54,780 square metres
- Total building Height: not more than 100 metres

v. Rosedale Hotel Beijing Co., Ltd. can legally carry out the Extension Project after entering the Supplement Agreement and paying off the additional land premium thereof, provided that Rosedale Hotel Beijing Co., Ltd. shall have duly obtained the relevant environmental approval, NDRC project approval, the Construction Land Planning Permit, the Construction Project Planning Permit and the Construction Permit in connection with the Extension Project before engaging in the construction.

vi. Rosedale Hotel Beijing Co., Ltd., being the legal owner of the Property, 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 right term of the Property.

vii. To the best knowledge of the PRC legal adviser, save for the mortgage mentioned in note (i) above, the Property is free from mortgage, charge, litigation, seizure order and other third parties' rights.

PROPERTY VALUE RECONCILIATION

For one month ended 31 May 2013

	HK$'000
Reference Value *(note 1)*	1,190,700
Net book value as at 30 April 2013 *(note 2)*	718,068
Movement for one month ended 31 May 2013 *(note 3)*	
– Depreciation	(2,182)
Net Book Value as at 31 May 2013	715,886
Revaluation Surplus	474,814

Notes:

1. Reference value of the Property is based on the property valuation report which set forth in Appendix IV in this Circular.

2. The net book value represents the sum of the closing net book amount of the property, plant and equipment as at 30 April 2013 as stated in the accountants' report set out in Appendix II of this Circular.

3. Movement of net book value between 30 April 2013 and 31 May 2013 is based on the management account of the Company.

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 Group. 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 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 in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) 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 (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") adopted by the Company to be notified to the Company and the Stock Exchange, were as follows:–

Interests in the shares

Name of Director	Long position/ Short position	Capacity/Nature of interest	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Kwok Ka Lap, Alva	Long position	Beneficial owner	7,500	0.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which were required (i) 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 (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code adopted by the Company to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

Save as disclosed below, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or a short position 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:

(i) Interests in the Shares

Name of Shareholder	Long position/ Short position	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
(a) Dr. Chan Kwok Keung, Charles *(Note 1)*	Long position	Beneficial owner	1,132,450	0.17%
	Long position	Interest of controlled corporation	195,706,000	29.76%
Ms. Ng Yuen Lan, Macy *(Note 1)*	Long position	Interest of spouse	196,838,450	29.93%
ITC Corporation Limited ("ITC") *(Note 1)*	Long position	Interest of controlled corporation	195,706,000	29.76%
ITC Investment Holdings Limited ("ITC Investment") *(Note 1)*	Long position	Interest of controlled corporation	195,706,000	29.76%
Leaptop Investments Limited *(Note 1)*	Long position	Interest of controlled corporation	195,706,000	29.76%
Asia Will Limited ("AWL") *(Note 1)*	Long position	Beneficial owner	195,706,000	29.76%
(b) China Enterprises Limited ("CEL") *(Note 2)*	Long position	Interest of controlled corporation	48,660,424	7.40%
Cosmos Regent Ltd. *(Note 2)*	Long position	Beneficial owner	43,325,554	6.59%

Notes:

(1) AWL was interested in 195,706,000 shares of the Company and was a wholly-owned subsidiary of Leaptop Investments Limited which in turn was a wholly-owned subsidiary of ITC Investment. ITC Investment was a wholly-owned subsidiary of ITC. Dr. Chan Kwok Keung, Charles ("Dr. Chan") directly and indirectly held a total of more than one third of the issued share capital of ITC and was therefore deemed to be interested in the shares of the Company held by AWL. Dr. Chan also personally held 1,132,450 shares of the Company. Ms. Ng Yuen Lan, Macy, the spouse of Dr. Chan, was therefore deemed to be interested in the shares of the Company held by AWL and Dr. Chan.

(2) Million Good Limited and Cosmos Regent Ltd. were interested in 5,334,870 shares of the Company and 43,325,554 shares of the Company respectively and were wholly-owned subsidiaries of CEL. CEL was therefore deemed to be interested in the shares of the Company held by Million Good Limited and Cosmos Regent Ltd.

As at the Latest Practicable Date, Ms. Chan Ling, Eva, an executive Director, is also a director of CEL and Cosmos Regent Ltd.. Mr. Sin Chi Fai, an independent non-executive Director, is also an independent non-executive director of CEL.

(ii) Substantial shareholders of members of the Group

So far as is known to the Directors or chief executive of the Company, the following persons (other than 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 as at the Latest Practicable Date:

Name of subsidiary	**Name of shareholder**	**Percentage of shareholding**
Tangula Group Limited	TIL Capital Corporation	18.1%
Luoyang Golden Gulf Hotel Company Limited	洛陽市電業局	40%
洛陽電力旅行社有限公司	洛陽市電力廣告有限公司	33.33%

Save as disclosed above, the Directors or chief executive of the Company were not aware that there are any other persons (not being a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or a short position 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 who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital.

3. DIRECTORS' 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 is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Cheung Hon Kit	ITC Properties Group Limited and its subsidiaries	Property development and investment and hotel operation in Hong Kong and the PRC	Chairman and executive director of ITC Properties Group Limited
	China Development Limited	Property investment in Hong Kong	Director and shareholder
	Artnos Limited	Property investment in Hong Kong	Director and shareholder

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
	Co-Forward Development Ltd.	Property investment in Hong Kong	Director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	Director and shareholder
	Super Time Limited	Property investment in Hong Kong	Director and shareholder
	Asia City Holdings Ltd.	Property investment in Hong Kong	Director and shareholder
	Supreme Best Ltd.	Property investment in Hong Kong	Shareholder
	Orient Holdings Limited	Property investment	Director and shareholder
	Link Treasure International Limited	Property investment in Hong Kong	Director and beneficial shareholder
	Silver City Limited	Property investment in Hong Kong	Director and shareholder
	Cosmo Luck Limited	Property investment in Hong Kong	Beneficial shareholder
	Ocean Region Limited	Property investment in Hong Kong	Beneficial shareholder
	Treasure Avenue Limited	Property investment in Hong Kong	Beneficial shareholder
	Ready Access Ltd.	Property investment in Hong Kong	Beneficial shareholder
	City Corporation Ltd.	Property investment in Hong Kong	Shareholder

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
	Big Gold Limited	Property investment in Hong Kong	Beneficial shareholder
	Rich Joy Investment Ltd.	Property investment in Hong Kong	Beneficial shareholder
	Profit Grace Holdings Ltd.	Property investment in Hong Kong	Beneficial shareholder
	Hegel Trading Limited	Property investment in Hong Kong	Beneficial shareholder

As the Board is independent of the boards of the above mentioned entities, the Group is capable of carrying on its business independently of, and at arm's length, from the business of those entities.

6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors were aware, there was no litigation or claims of material importance pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date, which are or may be material:

(a) the agreement dated 26 September 2011 entered into between Sino Express Travel Limited, a subsidiary of the Company, and Dai Guan Qiang in relation to the disposal of the entire issued share capital of Gold Richly Limited at the consideration of RMB45,000,000;

(b) the memorandum of understanding dated 17 October 2011 entered into between the Company and Ascendas Land International Pte. Ltd. ("Ascendas") in relation to (i) the proposed disposal by the Group to Ascendas of the entire equity interest in More Star Limited ("More Star") and the repayment of all the shareholder's loans due by More Star at a total consideration of approximately HK$1,314,625,000; and (ii) the proposed leaseback of Rosedale Hotel Kowloon by the Group upon completion of such disposal for the Group's operation and management for an initial term of six years, renewable for a further term of six years on terms to be mutually agreed;

(c) the conditional sale and purchase agreement dated 13 January 2012 entered into between Easy Vision Holdings Limited, a wholly-owned subsidiary of the Company, and Carry Worldwide Limited ("Carry Worldwide") in relation to the acquisition of 5.05% of the issued share capital of Apex from Carry Worldwide at the consideration of HK$62,000,000;

(d) the conditional sale and purchase agreement dated 1 February 2012 entered into between Eagle Spirit Holdings Limited ("Eagle Spirit"), a wholly-owned subsidiary of the Company, Ascendas and the Company in relation to the disposal of entire equity interest in More Star and entire shareholder's loan due by More Star to Eagle Spirit at the consideration of approximately HK$1,317,708,000;

(e) the conditional sale and purchase agreement dated 2 February 2012 entered into between the Company and C-Travel International Limited ("C-Travel") in relation to the disposal of 10% of the issued share capital of HKWOT (BVI) Limited to C-Travel at the consideration of US$9,440,000 (equivalent to approximately HK$71,600,000);

(f) the memorandum of understanding dated 24 October 2012 and the supplemental memorandum of understanding dated 25 January 2013 entered into between Enjoy Media Holdings Limited ("Enjoy Media"), a subsidiary of the Company, and Kong Wa in relation to the possible disposal of the entire issued share capital of Square Inn Hotel Management Limited ("Square Inn") by Enjoy Media at a consideration of HK$52,000,000;

(g) the agreement dated 29 April 2013 entered into between Enjoy Media, Kong Wa, Tong Hon Va and Cheong Soi Un in relation to the disposal of the entire issued share capital of Square Inn by Enjoy Media at a consideration of HK$52,000,000; and

(h) the Capital Increase Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Asset Appraisal Limited	Independent professional valuer

Each of Deloitte Touche Tohmatsu and Asset Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear. As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu and Asset Appraisal Limited:

(a) did not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published consolidated financial statements of the Company were made up.

10. GENERAL

(a) The secretary of the Company is Ms. Law Sau Lai. She is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(c) the accountants' report on Rosedale Beijing, the texts of which are set out in Appendix II to this circular;

(d) the accountants' report on the unaudited pro forma financial information of the Remaining Group, the texts of which are set out in Appendix III to this circular;

(e) the annual reports of the Company for each of the financial years ended 31 December 2011 and 2012;

(f) the valuation report on the Property prepared by Asset Appraisal Limited as set out in Appendix IV to this circular;

(g) the written consents referred to in the paragraphs headed "Experts and Consents" above in this Appendix; and

(h) this circular.

Rosedale Hotel Holdings Limited
珀麗酒店控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

NOTICE IS HEREBY GIVEN that a special general meeting of Rosedale Hotel Holdings Limited (the "**Company**") will be held at Gemini Room, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Tuesday, 13 August 2013 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

"**THAT**

(a) the capital increase agreement dated 31 May 2013 (the "Capital Increase Agreement") entered into between DS Eastin Limited ("DS Eastin"), a subsidiary of the Company, the Company as DS Eastin's guarantor, Rosedale Hotel Beijing Co., Ltd. ("Rosedale Beijing") and China Private Ventures Ltd. (the "Investor") (a copy of which, together with, inter alia, (i) the draft share pledge (the "Share Pledge") in respect of 50% of the equity interest in Rosedale Beijing to be executed by 北京浩洋房地產開發有限公司 (the "PRC Investor") to secure the payment obligation of a compensation amount to DS Eastin and (ii) the draft shareholders' agreement (the "Shareholders Agreement") to be executed by the PRC Investor and DS Eastin annexed and signed by the Chairman of the meeting for the purpose of identification, has been produced to the meeting marked "A") pursuant to which the Investor conditionally agrees to procure its subsidiary, the PRC Investor to make a capital contribution to the registered capital of Rosedale Beijing, such that upon completion of such capital contribution the PRC Investor will own 80% equity interest of Rosedale Beijing, the terms and conditions thereof and the transactions contemplated thereunder including (i) the Share Pledge and (ii) the Shareholders Agreement, be and are hereby approved, confirmed and ratified; and

(b) the board of 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 Capital Increase Agreement and to implement the transactions contemplated thereunder 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
Rosedale Hotel Holdings Limited
Law Sau Lai
Company Secretary

Hong Kong, 26 July 2013

Notes:

1. Any shareholder of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder 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 of the Company. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation, shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy and the power of attorney, or other authority, if any, under which it is signed or notarially certified copy of the power or authority shall be deposited at the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

3. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint holders of any share of the Company, any one of such holders may vote at the meeting, either personally 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 personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders thereof.

5. A form of proxy for use at the special general meeting is enclosed herewith.