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If you have sold or otherwise transferred all your shares in **Y. T. Realty Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



Y. T. REALTY GROUP LIMITED
渝太地產集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 75)

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED DISPOSAL OF
THE PRESTIGE TOWER PROPERTY,
THE CENTURY SQUARE PROPERTY AND
Y. T. PROPERTY SERVICES LIMITED,
AND SPECIAL CASH DIVIDEND**

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


Halcyon Capital Limited

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the content requires otherwise.

A letter from the Board is set out on pages 6 to 19 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 20 of this circular. A letter from Halcyon, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 50 of this circular.

A notice convening the SGM to be held at Rooms 3301-3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Thursday, 18 February 2016 at 9:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. If you do not intend to attend the SGM or any adjournment thereof, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time for holding the meeting or any adjourned meeting, as the case may be, to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy shall not preclude you from attending the SGM or any adjournment thereof and voting in person should you so wish.

29 January 2016

* For identification purposes only

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DEFINITIONS

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

“Access Power”	means Access Power Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Cheung
“Acquisition”	means the conditional acquisition of the Purchase Share pursuant to the Acquisition Agreement
“Acquisition Agreement”	means the sale and purchase agreement dated 17 December 2015 entered into between Sunrise Metro as purchaser and Castro Global as vendor in respect of the Acquisition
“Acquisition Completion”	means the completion of the sale and purchase of the Purchase Share pursuant to the Acquisition Agreement
“Acquisition Completion Accounts”	means the unaudited consolidated accounts of London PropCo as at Acquisition Completion to be prepared in accordance with the Acquisition Agreement
“Acquisition Condition”	means the condition precedent under the Acquisition Agreement as set out in the section headed “ <i>B. The Acquisition — 1. The Acquisition Agreement — Acquisition Condition</i> ” of the “ <i>Letter from the Board</i> ” in this circular
“Acquisition Consideration”	means the consideration under the Acquisition Agreement as set out in the section headed “ <i>B. The Acquisition — 1. The Acquisition Agreement — Acquisition Consideration</i> ” of the “ <i>Letter from the Board</i> ” in this circular
“Announcement”	means the announcement of the Company dated 17 December 2015 in relation to, among other things, the Transactions and the Special Cash Dividend
“Bank Borrowings”	means the aggregate amount of indebtedness comprising all amounts whether principal, interest, penalties or otherwise then outstanding and owing at or immediately prior to Acquisition Completion by Cypress Dynasty to The Bank of East Asia, Limited
“Board”	means the board of Directors
“Castro Global”	means Castro Global Limited, a company incorporated in the British Virgin Islands with limited liability
“Castro Global Loans”	means the aggregate amount of shareholders’ loans owing from London PropCo to Castro Global (including any interest accrued thereon) as at Acquisition Completion

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“Century Square Property”	means the shops and offices at Century Square, a commercial building located at 1-13 D’Aguilar Street, Central, Hong Kong
“close associates”	has the same meaning ascribed to it under the Listing Rules
“Company”	means Y. T. Realty Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 75)
“connected person”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Cross-Harbour”	means The Cross-Harbour (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 32)
“Cypress Dynasty”	means Cypress Dynasty Limited, a company incorporated in the British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of London PropCo
“Director(s)”	means the director(s) of the Company
“Disposal Agreement”	means the sale and purchase agreement dated 17 December 2015 entered into amongst YT Investment as vendor, Access Power as purchaser and Mr. Cheung as purchaser’s guarantor in respect of the Proposed Disposal
“Disposal Completion”	means the completion of the sale and purchase of the Sale Shares and the assignment and taking up of the Sale Loans pursuant to the Disposal Agreement
“Disposal Completion Accounts”	means the unaudited consolidated accounts of HK PropCo as at Disposal Completion to be prepared in accordance with the Disposal Agreement
“Disposal Conditions”	means the conditions precedent under the Disposal Agreement as set out in the section headed “A. The Proposed Disposal — 1. The Disposal Agreement — Disposal Conditions” of the “Letter from the Board” in this circular
“Disposal Consideration”	means the consideration under the Disposal Agreement as set out in the section headed “A. The Proposed Disposal — 1. The Disposal Agreement — Disposal Consideration” of the “Letter from the Board” in this circular

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“GBP”	means British Pound Sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“HK PropCo”	means Y. T. Properties International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“HK PropCo Group”	means HK PropCo and its subsidiaries
“HK PropCo Sale Loan”	means the aggregate amount of shareholders’ loan owing from HK PropCo to YT Investment (including any rights and benefits of and interest therein) as at Disposal Completion, the value of which was approximately HK\$601.5 million as shown on the unaudited consolidated management accounts of HK PropCo as at 31 October 2015
“HK ServiceCo”	means Y. T. Property Services Limited (渝太物業管理有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK ServiceCo Group”	means HK ServiceCo and its subsidiary
“HK ServiceCo Sale Loan”	means the aggregate amount of shareholders’ loan owing from HK ServiceCo to YT Investment (including any rights and benefits of and interest therein) as at Disposal Completion, the value of which was approximately HK\$0.3 million as shown on the unaudited consolidated management accounts of HK ServiceCo as at 31 October 2015
“Independent Board Committee”	means the independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Ng Kwok Fu, Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven, which has been established by the Company to make recommendations to the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder to be voted by the Independent Shareholders at the SGM

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“Independent Financial Adviser” or “Halcyon”	means Halcyon Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	means Shareholder(s) other than Shareholder(s) with a material interest in the transactions contemplated under the Disposal Agreement, who is required to abstain from voting at the SGM pursuant to the Listing Rules
“Latest Practicable Date”	means 25 January 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“London Property”	means One Chapel Place, a commercial building located at 5, 6 and 7 Vere Street and 10 Chapel Place, London, England, W1G 0BG
“London PropCo”	means Solent Ventures Limited, a company incorporated in the British Virgin Islands with limited liability, and a joint venture company owned as to 50% by Sunrise Metro and 50% by Castro Global as at the Latest Practicable Date
“London PropCo Group”	means London PropCo and its subsidiaries
“Mr. Cheung”	means Mr. Cheung Chung Kiu, the Chairman and an executive Director of the Company
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“Post-Completion Group”	means the Group (excluding HK PropCo and HK ServiceCo and their subsidiaries, but including London PropCo and its subsidiaries) immediately following Disposal Completion and Acquisition Completion
“PRC”	means the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prestige Tower Property”	means Prestige Tower, a commercial building located at 23 and 25 Nathan Road, Tsimshatsui, Hong Kong
“Proposed Disposal”	means the conditional disposal of the Sale Shares and the Sale Loans pursuant to the Disposal Agreement

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“Purchase Share”	means 1 share of London PropCo, representing 50% of its entire issued share capital
“Sale Loans”	means the HK PropCo Sale Loan and the HK ServiceCo Sale Loan
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Sale Shares”	means the entire issued share capital of HK PropCo and HK ServiceCo respectively
“SGM”	means a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder
“Share(s)”	means the ordinary share(s) of nominal value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	means holder(s) of Share(s)
“Special Cash Dividend”	means the special cash dividend as set out in the section headed “C. Special Cash Dividend” of the “Letter from the Board” in this circular
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Sunrise Metro”	means Sunrise Metro Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company
“Transactions”	means the Proposed Disposal and the Acquisition
“YT Investment”	means Y. T. Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“%”	means per cent

For the purpose of this circular, the exchange rate of GBP 1 = HK\$11.681 has been used which is an approximate and for illustration only. It does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

LETTER FROM THE BOARD



Y. T. REALTY GROUP LIMITED 渝太地產集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 75)

Executive Director

Cheung Chung Kiu (*Chairman*)
Wong Chi Keung (*Managing Director*)
Yuen Wing Shing
Tung Wai Lan, Iris

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors

Lee Ka Sze, Carmelo
Wong Yat Fai

Principal place of business in Hong Kong

3301-3307, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Independent non-executive Directors

Ng Kwok Fu
Luk Yu King, James
Leung Yu Ming, Steven

29 January 2016

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED DISPOSAL OF
THE PRESTIGE TOWER PROPERTY,
THE CENTURY SQUARE PROPERTY AND
Y. T. PROPERTY SERVICES LIMITED,
AND SPECIAL CASH DIVIDEND**

INTRODUCTION

On 17 December 2015, the Board announced that YT Investment, Access Power and Mr. Cheung entered into the Disposal Agreement and Sunrise Metro and Castro Global entered into the Acquisition Agreement in respect of the Transactions.

The purpose of this circular is to provide you with further details of, among other things, the Disposal Agreement, the Special Cash Dividend and other information as required under the Listing Rules.

* For identification purposes only

LETTER FROM THE BOARD

A. THE PROPOSED DISPOSAL

Date: 17 December 2015

Parties: YT Investment, as the vendor;
Access Power, as the purchaser; and
Mr. Cheung, as the purchaser's guarantor.

Mr. Cheung is the Chairman and an executive Director of the Company and a connected person of the Company. Access Power, which is wholly owned by Mr. Cheung, is an associate of Mr. Cheung and a connected person of the Company.

1. *The Disposal Agreement*

Under the Disposal Agreement, YT Investment conditionally agreed to sell and assign to Access Power the Sale Shares, representing the entire issued share capital of HK PropCo and HK ServiceCo respectively, and the Sale Loans.

HK PropCo holds the entire interests in the property-holding companies which own the Prestige Tower Property and the Century Square Property, while HK ServiceCo and its subsidiary are the property management services providers for the said properties.

Disposal Conditions

Disposal Completion is conditional upon the fulfillment of all of the following conditions:

- (a) the passing of an ordinary resolution by the Independent Shareholders at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder in compliance with the Listing Rules; and
- (b) Acquisition Completion having occurred simultaneously with Disposal Completion.

Disposal Consideration

The Disposal Consideration will be the initial amount of approximately HK\$4,020.9 million, comprising approximately:

- (i) HK\$3,394.4 million, for the shares of HK PropCo, and HK\$601.5 million, for the HK PropCo Sale Loan, subject to the adjustment as disclosed in the section headed "A. *The Proposed Disposal — 1. The Disposal Agreement — Adjustment to the Disposal Consideration*" of the "Letter from the Board" below; and
- (ii) HK\$25 million, for the shares of HK ServiceCo and the HK ServiceCo Sale Loan.

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The Disposal Consideration will be paid by Access Power to YT Investment in cash in 2 installments: (i) HK\$600 million, within 5 business days after the fulfilment of Disposal Condition (a); and (ii) HK\$3,420.9 million, at Disposal Completion.

Adjustment to the Disposal Consideration

The consideration for the shares of HK PropCo and the HK PropCo Sale Loan will be adjusted on a dollar to dollar basis based on the consolidated net asset value of HK PropCo (with the book value of the Prestige Tower Property and the Century Square Property comprised therein to be replaced with HK\$2,040 million and HK\$2,030 million respectively, being the value of such property interests as agreed between YT Investment and Access Power, and not taking into account any deferred tax liabilities (i.e. to be added back in the computation of consolidated net asset value) of HK PropCo) and the amount of the HK PropCo Sale Loan, as to be disclosed in the Disposal Completion Accounts. YT Investment will indemnify Access Power for any claims suffered by Access Power and/or HK PropCo in respect of any deferred tax liabilities of HK PropCo and its subsidiaries not taken into account (i.e. have been added back in the computation of consolidated net asset value of HK PropCo) in the computation of the Disposal Consideration up to the amount of deferred tax liabilities in the Disposal Completion Accounts.

The Disposal Completion Accounts will be delivered to Access Power within 7 business days after Disposal Completion (or such later date as YT Investment and Access Power may agree) and if the amount of the consideration paid for the shares of HK PropCo and the HK PropCo Sale Loan is different from the adjusted consideration amount based on the Disposal Completion Accounts, any shortfall will be paid by Access Power to YT Investment or any surplus will be refunded by YT Investment to Access Power (as the case may be) within 5 business days thereafter.

The Disposal Consideration was determined after arm's length negotiations between YT Investment and Access Power, with reference to the market valuation of the Prestige Tower Property and the Century Square Property of HK\$2,040 million and HK\$2,030 million respectively as at 31 October 2015 and the unaudited consolidated financial information of HK PropCo and HK ServiceCo respectively as at 31 October 2015. For reference, the initial consideration for the shares of HK PropCo, being approximately HK\$3,394.4 million, was derived from the unaudited consolidated net asset value of HK PropCo of approximately HK\$3,294 million by (a) replacing the book value of the Prestige Tower Property and the Century Tower Property of approximately HK\$4,051 million comprised in such net asset value, with the value of such property interests as agreed between YT Investment and Access Power of HK\$2,040 million and HK\$2,030 million respectively; and (b) adding back the amount of deferred tax liabilities of approximately HK\$81 million, as shown in the unaudited consolidated accounts of HK PropCo as at 31 October 2015; whereas, the initial consideration for the shares of HK ServiceCo and the HK ServiceCo Sale Loan, being approximately HK\$25 million, was determined with reference to a price multiple of 6.5 (taking into account the limited growth potential of HK ServiceCo and its subsidiary as the Group's management services providers primarily for the Prestige Tower Property and the Century Square Property) of the average annual consolidated net profits of HK ServiceCo for the three years ended 31 December 2014 of approximately HK\$3.85 million.

LETTER FROM THE BOARD

Disposal Completion

Disposal Completion will take place within 14 business days (or such later date as may be agreed by YT Investment and Access Power in writing) after the fulfilment of Disposal Condition (a) (Disposal Condition (b) will be satisfied at Disposal Completion).

If Disposal Completion has not occurred on or before 30 June 2016 (or such later date as YT Investment may agree with Access Power), the Disposal Agreement will lapse.

Guarantee by Access Power's shareholder

The obligations of and performance of the terms of the Disposal Agreement and the transactions contemplated thereunder by Access Power are guaranteed by Mr. Cheung.

2. Information on HK PropCo, HK ServiceCo and Access Power

HK PropCo

HK PropCo, through its subsidiaries, principally engages in the holding and leasing of properties. According to the unaudited consolidated accounts of HK PropCo, the unaudited consolidated net asset value of HK PropCo was approximately HK\$3,294 million as at 31 October 2015. For the two financial years ended 31 December 2014, the unaudited consolidated net profits before and after taxation of HK PropCo were approximately:

	2014	2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit before taxation	299.4	407.1
Net profit after taxation	275.2	383.8

HK ServiceCo

According to the unaudited consolidated accounts of HK ServiceCo, the unaudited consolidated net asset value of HK ServiceCo was approximately HK\$0.63 million as at 31 October 2015. For the two financial years ended 31 December 2014, the unaudited consolidated net profits before and after taxation of HK ServiceCo were approximately:

	2014	2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit before taxation	5.0	4.4
Net profit after taxation	4.2	3.7

Access Power

The principal business activity of Access Power is investment holding.

LETTER FROM THE BOARD

B. THE ACQUISITION

Date: 17 December 2015

Parties: Sunrise Metro, as the purchaser; and
Castro Global, as the vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Castro Global and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons.

1. *The Acquisition Agreement*

Under the Acquisition Agreement, Sunrise Metro conditionally agreed to acquire from Castro Global the Purchase Share, representing 50% of the existing issued share capital of London PropCo. London PropCo is held by Sunrise Metro and Castro Global in equal shares and holds the entire interest in Cypress Dynasty, the property-holding company which owns the London Property.

Acquisition Condition

Acquisition Completion is conditional upon Disposal Completion having occurred simultaneously with Acquisition Completion.

Acquisition Consideration

The Acquisition Consideration will be the initial amount of approximately HK\$7.3 million which will be paid by Sunrise Metro to Castro Global in cash upon Acquisition Completion, subject to the adjustment as disclosed in the section headed "*B. The Acquisition — 1. The Acquisition Agreement — Adjustment to the Acquisition Consideration*" of the "*Letter from the Board*" below.

For reference, the initial amount of the Acquisition Consideration was derived from 50% of the unaudited consolidated net asset value of London PropCo of approximately HK\$2.8 million by (a) replacing the book value of the London Property comprised in such net asset value of approximately HK\$713.9 million as shown in its unaudited consolidated accounts as at 31 October 2015, with the value of such property interest as agreed between Sunrise Metro and Castro Global of approximately GBP62 million (i.e. approximately HK\$724.2 million); and (b) adjusting for the difference in the sum of approximately HK\$1.5 million resulting from the different exchange rates used under the unaudited consolidated accounts as at 31 October 2015 and for computing the initial amount of the Acquisition Consideration under the Acquisition Agreement.

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Adjustment to the Acquisition Consideration

The consideration for the 50% of the existing issued share capital of London PropCo will be adjusted on a dollar to dollar basis based on 50% of the consolidated net asset value of London PropCo (with the book value of the interest in the London Property comprised therein to be replaced with GBP62 million (equivalent to approximately HK\$724.2 million) being the value of such property interest as agreed between Sunrise Metro and Castro Global), as to be disclosed in the Acquisition Completion Accounts.

The Acquisition Completion Accounts will be delivered to Sunrise Metro within 7 business days after Acquisition Completion (or such later date as Sunrise Metro and Castro Global may agree) and if the amount of the consideration paid at Acquisition Completion is different from the Acquisition Consideration calculated based on the Acquisition Completion Accounts, any shortfall will be paid by Sunrise Metro to Castro Global or any surplus will be refunded by Castro Global to Sunrise Metro (as the case may be) within 5 business days thereafter or such later date as the parties to the Acquisition Agreement may agree.

The Acquisition Consideration was determined after arm's length negotiations between Sunrise Metro and Castro Global, with reference to the indicative market value of the London Property at GBP62 million (equivalent to approximately HK\$724.2 million) as at 31 October 2015 and the unaudited consolidated financial information of London PropCo as at 31 October 2015.

Acquisition Completion

Acquisition Completion will take place simultaneously with Disposal Completion, when the Acquisition Condition is fulfilled.

If Acquisition Completion has not occurred on or before 30 June 2016 (or such later date as Sunrise Metro may agree with Castro Global), the Acquisition Agreement will lapse.

2. *Repayment of the Castro Global Loans and the Bank Borrowings*

Sunrise Metro will finance the full repayment of the Castro Global Loans by London PropCo upon Acquisition Completion with reference to the book value of the same as will be shown in the Acquisition Completion Accounts which is currently expected to be in the sum of HK\$117.5 million (after repayment by internal resources of London PropCo in the sum of HK\$2.5 million before Acquisition Completion). As at 31 October 2015, the Castro Global Loans amounted to approximately HK\$120 million.

Sunrise Metro will finance the full repayment of the Bank Borrowings by Cypress Dynasty on or before Acquisition Completion. As at 30 November 2015, the Bank Borrowings amounted to approximately GBP40.4 million (equivalent to approximately HK\$471.4 million).

Payment for the Acquisition Consideration and the repayment of the Castro Global Loans and the Bank Borrowings are expected to be funded by the proceeds from the Proposed Disposal.

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3. *Information on London PropCo and Castro Global*

London PropCo

London PropCo holds directly the entire interest in Cypress Dynasty which holds the London Property originally held for sale. The London Property is a 4-storey building offering approximately 34,000 square feet of grade A office and retail space at 5, 6 and 7 Vere Street and 10 Chapel Place, London, England, a prime central London business location. Upon Acquisition Completion, the London Property will be held for leasing by the Post-Completion Group. The London Property yields a gross rental income of approximately GBP1.54 million (equivalent to approximately HK\$18 million) for the period since its acquisition by Cypress Dynasty in February 2015 and up to 31 October 2015.

According to the unaudited consolidated accounts of London PropCo, the consolidated net asset value of London PropCo was approximately GBP0.24 million (equivalent to approximately HK\$2.8 million) as at 31 October 2015 and its consolidated net profits for the period since its incorporation on 13 October 2014 and ended 31 October 2015 was approximately GBP0.55 million (equivalent to approximately HK\$6.5 million).

Castro Global

Castro Global is principally engaged in investment holding.

C. SPECIAL CASH DIVIDEND

As disclosed in the announcement of the Company dated 28 January 2016, the Board has on 28 January 2016 declared the Special Cash Dividend in the amount of HK\$3.8 per Share. Payment of the Special Cash Dividend is conditional on Disposal Completion and Acquisition Completion having taken place, and Disposal Completion in turn is conditional on, inter alia, the passing of an ordinary resolution by the Independent Shareholders at the SGM on Thursday, 18 February 2016 to approve the Disposal Agreement and the transactions contemplated thereunder. Disposal Completion and Acquisition Completion are expected to take place within 14 business days following the date of the SGM. Payment of the Special Cash Dividend is expected to be made on or before Friday, 11 March 2016 to all Shareholders whose names appear in the register of members of the Company at the close of business on Thursday, 25 February 2016.

The Special Cash Dividend will be paid out of the proceeds from the Proposed Disposal after taking into account the future investment and working capital needs of the Post-Completion Group. The Special Cash Dividend will allow the Shareholders to immediately realise the value from their shareholdings in the Company.

For determining entitlement to the Special Cash Dividend, the register of members and transfer books of the Company will be closed from Wednesday, 24 February 2016 to Thursday, 25 February 2016, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the Special Cash Dividend, all transfer documents and the accompanying share certificates

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must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 23 February 2016. The last day for trading in Shares with entitlements to the Special Cash Dividend is expected to be Friday, 19 February 2016.

The resolution noting that the payment of the Special Cash Dividend will be effected will be part and partial of the ordinary resolution approving the Proposed Disposal and the transactions contemplated under the Disposal Agreement.

If the ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder is not passed by the Independent Shareholders at the SGM or if Disposal Completion and Acquisition Completion do not take place for any reason, the Special Cash Dividend will not be paid to the Shareholders. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

D. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

In light of the uncertain and challenging economic environment in Hong Kong and the risk of market correction for the property market in Hong Kong, the Group is currently looking for possible investment opportunities in other well-developed markets such as the United Kingdom, the United States, Australia and Japan. The Transactions will enable the Group to expand its overseas property portfolio, while at the same time reducing its exposure to the Hong Kong property market.

Through the Proposed Disposal, the Group will be able to unlock the value of its investments in properties in Hong Kong, namely, the Prestige Tower Property and the Century Square Property, and to utilise proceeds from the same to fund the Acquisition Consideration and the repayment of the Castro Global Loans and the Bank Borrowings, as general working capital, as well as to expand its overseas property portfolio. The Special Cash Dividend will be paid out of the proceeds from the Proposed Disposal after taking into account the future investment and working capital needs of the Post-Completion Group. Shareholders will be able to realise the intrinsic value of the Shares in the form of the Special Cash Dividend.

In line with the Group's cautious development strategy, after Acquisition Completion, the Group will have expanded its investment in the London property market, and will wholly own the London Property which will then be held for leasing and will provide a steady income stream in the form of recurring gross rental income for the Group. In addition, the Group will still have approximately 41.66% interest in Cross-Harbour, its principal associated company since 2001, which the Group currently has no intention to dispose of in the near future.

LETTER FROM THE BOARD

The Post-Completion Group may also utilise proceeds from the Proposed Disposal to invest in other commercial properties located in well-developed overseas markets such as the United Kingdom, the United States, Australia and Japan so as to further diversify its investment property portfolio. Several professional property agencies and real estate consultants have been contacted with a view to searching for available office, commercial and/or residential buildings with investment potential in the United Kingdom, Australia and Japan. As of the Latest Practical Date, more than 10 of such properties in cities including London, Birmingham, Sydney and Tokyo with investment potential have been presented for the Group's consideration. No investment decision has yet been finalised.

The Directors (excluding members of the Independent Board Committee whose views are set out in the section headed "*Letter from the Independent Board Committee*" after taking into account the advice and recommendations from the Independent Financial Adviser) consider that the terms and conditions of the Transactions are on normal commercial terms and together with the Special Cash Dividend are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

E. FINANCIAL EFFECT OF THE TRANSACTIONS

Upon Disposal Completion, the Company will cease to have any interest in HK PropCo and HK ServiceCo, and all members of which will cease to be subsidiaries of the Company. Their assets, liabilities, profits and losses will no longer be consolidated in the consolidated financial statements of the Company.

Following completion of the Transactions and payment of the Special Cash Dividend, the unaudited consolidated total assets will be reduced from approximately HK\$6,645.64 million as at 30 June 2015 for the Group to approximately HK\$3,508.73 million for the Post-Completion Group as illustrated in the unaudited pro forma consolidated statement of financial position of the Post-Completion Group as set out in appendix III to this circular. The Post-Completion Group's unaudited consolidated total assets will comprise primarily (i) the London Property valued at GBP62 million (equivalent to approximately HK\$724.2 million) as at 31 October 2015; (ii) approximately 41.66% of the existing share capital of Cross-Harbour with a book value of HK\$2,116.8 million as at 30 June 2015; and (iii) approximately HK\$627 million of cash in bank. For the total liabilities of the Post-Completion Group, all material indebtedness of London PropCo, including the liabilities under the Castro Global Loans and the Bank Borrowings and the associated mortgages and securities over the London Property, will be fully repaid and discharged following Acquisition Completion except for those arising in the ordinary course of its business.

Upon completion of the Transactions, earnings from the Prestige Tower Property and the Century Square Property will no longer be consolidated in the consolidated financial statements of the Post-Completion Group, and the Post-Completion Group's earnings will primarily be derived from (i) rental income generated by operating the London Property; and (ii) share of profits from Cross-Harbour. For illustration, based on the unaudited pro forma consolidated statement of profit or loss of the Post-Completion Group as set out in appendix III to this circular, revenue will be reduced from approximately HK\$211.83 million for the year ended 31 December 2014 for the Group to approximately HK\$18 million for the Post-Completion Group.

LETTER FROM THE BOARD

The Company expects to record a gain of approximately HK\$124.5 million on the Proposed Disposal, being the excess of the Disposal Consideration over the unaudited consolidated respective book net asset value of HK PropCo and HK ServiceCo and the aggregate amounts of the HK PropCo Sale Loan and the HK ServiceCo Sale Loan as at 31 October 2015. The calculation is only an estimate based on the initial amount of the Disposal Consideration to be received upon Disposal Completion before any adjustment and provided for illustration purposes. The actual gain on the Proposed Disposal that the Company is able to realise will depend on the actual consolidated net asset value of HK PropCo and HK ServiceCo on Disposal Completion and the transaction costs arising from the Proposed Disposal.

Upon Acquisition Completion, London PropCo and its subsidiaries will become wholly-owned subsidiaries of the Company and their assets, liabilities, profits and losses will be consolidated in the consolidated financial statements of the Company.

Save for the transaction costs, the Company expects that there will be no gain or loss arising from the Acquisition as the Acquisition Consideration is based on the consolidated net asset value of London PropCo (taking into account the indicative market value of the London Property) as at Acquisition Completion.

Proceeds from the Proposed Disposal will be utilised to fund the Acquisition, for the repayment of the Castro Global Loans and the Bank Borrowings, and to pay all ancillary costs and expenses which is currently expected to be approximately HK\$4.5 million. The same will also be used to increase the Post-Completion Group's cash in bank to at least HK\$600 million (for reference, as at 30 June 2015, the Group's cash in bank amounted to approximately HK\$321 million, and its outstanding bank loan owed in relation to the Prestige Tower Property and the Century Square Property amounted to approximately HK\$91.6 million which will be repaid prior to Disposal Completion), which will be used for further expansion of the Post-Completion Group's property portfolio and as working capital of the Post-Completion Group. The remainder of the proceeds (which is estimated to be not less than approximately HK\$3,000 million) will be paid to the Shareholders in the form of the Special Cash Dividend.

F. INFORMATION ON THE GROUP

The Company is an investment holding company and the principal activities of its subsidiaries are property investment, property trading and provision of property management and related services, and its principal associated company, Cross-Harbour, will continue to principally engage in investment in and management of tunnels, motoring schools and highway and tunnel toll system in Hong Kong.

LETTER FROM THE BOARD

G. INFORMATION ON THE POST-COMPLETION GROUP

Upon completion of the Transactions and the payment of the Special Cash Dividend, the assets of the Post-Completion Group will mainly comprise the London Property preliminarily valued at approximately HK\$724.2 million, approximately 41.66% of the existing share capital of Cross-Harbour with a book value of HK\$2,116.8 million as at 30 June 2015, over HK\$600 million cash in bank available for business expansion, and one Hong Kong property and three properties in Shenzhen, the PRC, valued in total of approximately HK\$27 million as at 30 June 2015. The Post-Completion Group will continue to leverage on its resources and expertise to seek out suitable investment opportunities overseas and in China and to broaden its income and create value for the Shareholders.

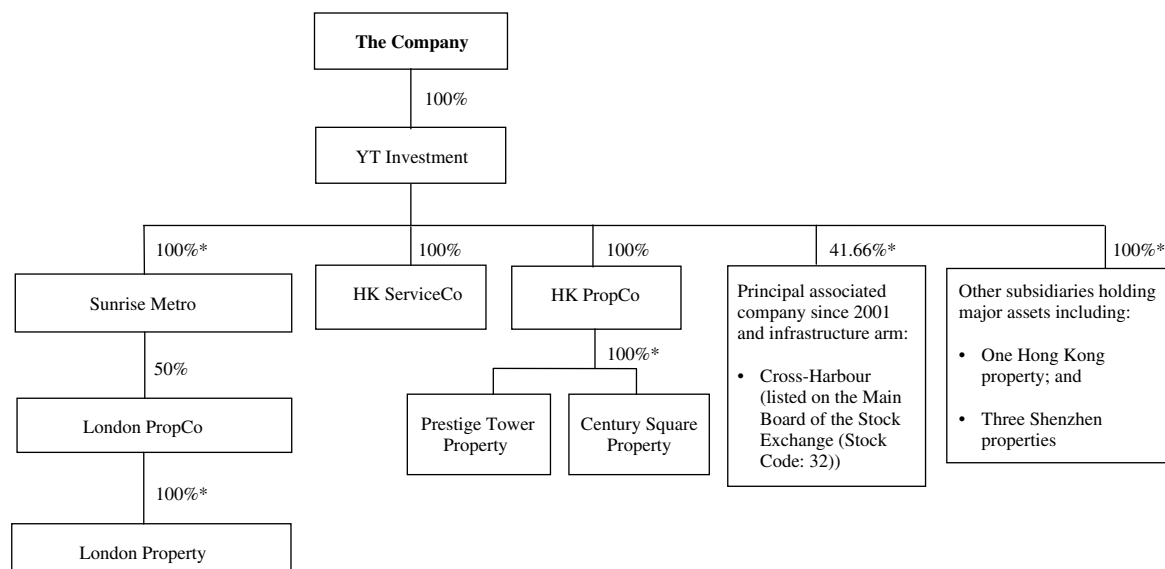
The London Property has been generating a recurring rental income of an amount equivalent to approximately HK\$18 million for the period since its acquisition by Cypress Dynasty in February 2015 and up to 31 October 2015. The Post-Completion Group will continue to share the profits of Cross-Harbour (the Group's share of profits after taxation from Cross-Harbour for the year ended 31 December 2014 being HK\$196.7 million and for the six months ended 30 June 2015 being HK\$131.3 million). The aggregate amount of dividends distributed by Cross-Harbour to and received by the Group for the year ended 31 December 2014 is approximately HK\$46.6 million. The Post-Completion Group currently has no intention to dispose of its interest in Cross-Harbour in the near future.

It is also expected that the Post-Completion Group will benefit from significant costs-savings and efficiency gains through streamlined operations and its operating and financing expenses and overall payroll expenditures will be reduced following completion of the Transactions as (a) all the property management and related technical consultancy staff servicing the Prestige Tower Property and the Century Square Property will remain with HK ServiceCo and (b) three Directors (being the Managing Director and the two non-executive Directors) as referred to in the section headed "*I. Intended resignation of Directors*" of the "*Letter from the Board*" below are anticipated to resign after completion of the Transactions.

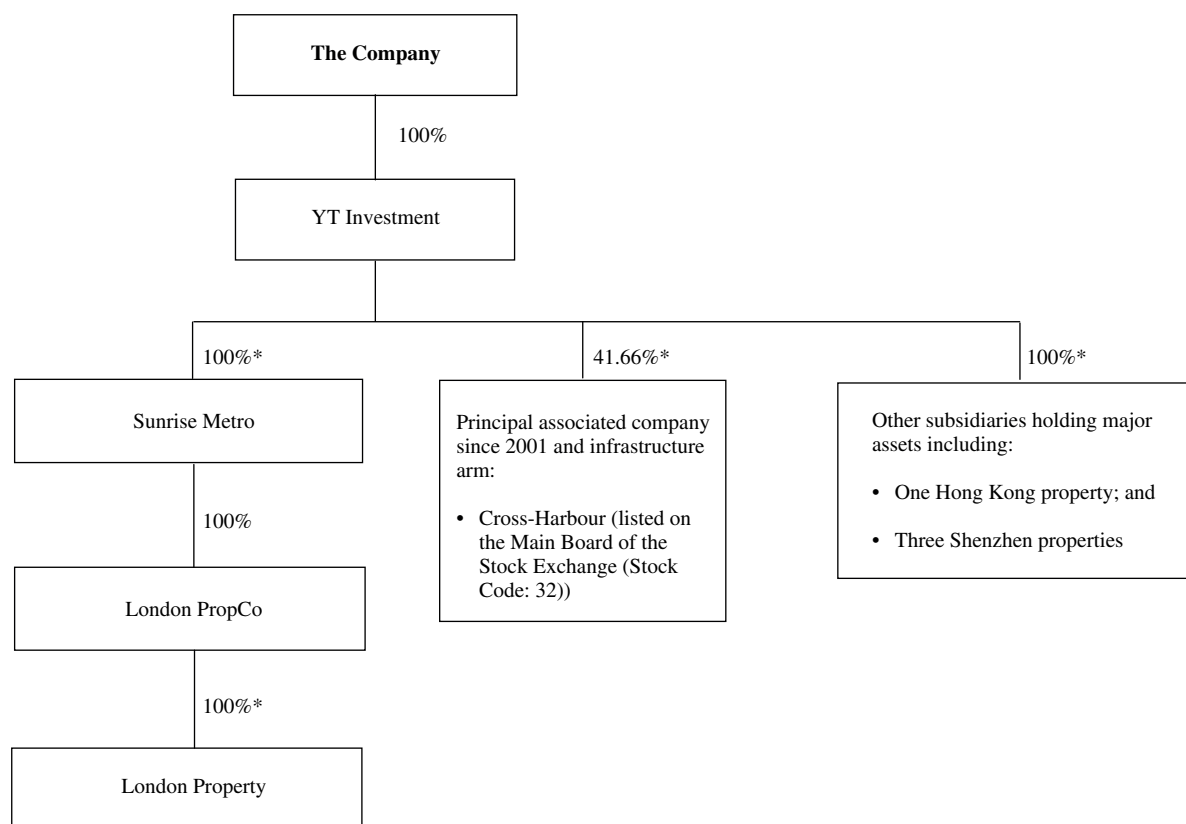
LETTER FROM THE BOARD

H. GROUP STRUCTURE

The Group structure immediately prior to completion of the Transactions is as follows:



The Group structure immediately after completion of the Transactions is as follows:



* denotes indirect interests

LETTER FROM THE BOARD

I. INTENDED RESIGNATION OF DIRECTORS

In view of the Post-Completion Group's reduced operation in Hong Kong, it is anticipated that Mr. Wong Chi Keung, Managing Director and executive Director, and the two non-executive Directors, Mr. Lee Ka Sze, Carmelo and Mr. Wong Yat Fai, will resign after completion of the Transactions. For reference, for the financial year ended 31 December 2014, the total remunerations paid to Mr. Wong Chi Keung, Mr. Lee Ka Sze, Carmelo and Mr. Wong Yat Fai were approximately HK\$7.9 million, HK\$0.55 million and HK\$0.3 million respectively.

A further announcement will be made in this regard as soon as possible following the resignation of any of the Directors in accordance with the requirements under the Listing Rules.

J. GENERAL

Implications of the Listing Rules in respect of the Transactions

The Proposed Disposal

As one or more of the percentage ratios in respect of the Proposed Disposal exceed(s) 75%, the Proposed Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. As Mr. Cheung is the Chairman and an executive Director of the Company and a connected person of the Company, and Access Power, which is wholly-owned by Mr. Cheung, is an associate of Mr. Cheung and a connected person of the Company, the Proposed Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Proposed Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Other than Mr. Cheung, an executive Director and the Chairman of the Company, who held the entire issued share capital of Access Power and had abstained from voting on the relevant Board resolution, no Director had a material interest in the Disposal Agreement and the transactions contemplated thereunder which would require him/her to abstain from voting on the relevant Board resolution as at the Latest Practicable Date.

The Acquisition

As the applicable percentage ratios in respect of the Acquisition together with the repayment of the Castro Global Loans and the Bank Borrowings to be financed by Sunrise Metro are higher than 5% but lower than 25%, the Acquisition Agreement and the transactions contemplated constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The SGM for considering the Proposed Disposal

The SGM will be held for the Independent Shareholders to consider and, if thought fit, approve the Proposed Disposal and the transactions contemplated thereunder. As at the Latest Practicable Date, Funrise Limited held 273,000,000 Shares, representing approximately 34.14% of the existing issued Shares, in which Mr. Cheung was deemed to be interested under the SFO by virtue of his indirect interest in Funrise Limited. Funrise Limited and its close associates, if any, will therefore abstain from voting at the SGM.

K. RECOMMENDATION

The Board is of the view that the terms of the Disposal Agreement and the transactions contemplated thereunder and the Special Cash Dividend are in the interests of the Company and the Shareholders as a whole, and are fair and reasonable. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolution at the SGM.

L. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the letter from the Independent Board Committee, the letter from Halcyon, the appendices to this circular and the notice of SGM.

Yours faithfully,
By Order of the Board
Y. T. REALTY GROUP LIMITED
WONG CHI KEUNG
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Y. T. REALTY GROUP LIMITED
渝太地產集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 75)

29 January 2016

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED DISPOSAL OF
THE PRESTIGE TOWER PROPERTY,
THE CENTURY SQUARE PROPERTY AND
Y. T. PROPERTY SERVICES LIMITED**

The Independent Board Committee has been established to consider and to advise you on the terms of the Disposal Agreement and the transactions contemplated thereunder, details of which are set out in the circular issued by the Company to the Shareholders dated 29 January 2016 (the “Circular”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Halcyon has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this matter.

Having considered the terms of the Disposal Agreement and the transactions contemplated thereunder and the advice of Halcyon in relation thereto as set out on pages 21 to 50 of the Circular, we are of the opinion that the terms of the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms in the ordinary and usual course of business of the Group, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

NG Kwok Fu

LUK Yu King, James

LEUNG Yu Ming, Steven

Independent non-executive Directors

** For identification purposes only*

LETTER FROM HALCYON

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



Halcyon Capital Limited
11/F, 8 Wyndham Street,
Central, Hong Kong

29 January 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED DISPOSAL OF
THE PRESTIGE TOWER PROPERTY, THE CENTURY SQUARE PROPERTY AND
Y.T. PROPERTY SERVICES LIMITED
AND
SPECIAL CASH DIVIDEND**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the terms of the Disposal Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular of the Company dated 29 January 2016 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

On 17 December 2015, YT Investment and Access Power entered into the Disposal Agreement pursuant to which YT Investment conditionally agreed to sell and assign to Access Power the Sale Shares, representing the entire issued share capital of HK PropCo and HK ServiceCo, and the Sale Loans, at the Disposal Consideration. Concurrently, Sunrise Metro and Castro Global entered into the Acquisition Agreement pursuant to which Sunrise Metro conditionally agreed to acquire from Castro Global the Purchase Share, representing the remaining 50% of the existing issued share capital of London PropCo from Castro Global, at the Acquisition Consideration. Completion of the Proposed Disposal and the Acquisition is inter-conditional with each other. Conditional upon Disposal Completion and Acquisition Completion having taken place, the Special Cash Dividend of HK\$3.80 per Share, which will be paid out of the proceeds from the Proposed Disposal after taking into account the future investment and working capital needs of the Post-Completion Group, is expected to be made on or before Friday, 11 March 2016 to all Shareholders whose names appear in the register of the members of the Company at the close of business on Thursday, 25 February 2016.

LETTER FROM HALCYON

As the applicable percentage ratios in respect of the Proposed Disposal exceed 75%, the Proposed Disposal therefore constitutes a very substantial disposal of the Company under the Listing Rules. Furthermore, since (i) Mr. Cheung is an executive Director and Chairman of the Company, who was also deemed to be interested in 273,000,000 Shares, representing approximately 34.14% of the issued Shares as at the Latest Practicable Date, under the SFO by virtue of his indirect interest in Funrise Limited; and (ii) Mr. Cheung is also interested in the entire interest of Access Power, the Proposed Disposal constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders under Chapter 14A of the Listing Rules. Shareholders with a material interest in the transactions contemplated under the Disposal Agreement will be required to abstain from voting at the SGM. Mr. Cheung and its associates (including Funrise Limited and its close associates) will abstain from voting in relation to the ordinary resolutions to be put forward at the SGM for the purpose of approving the Disposal Agreement and the transactions contemplated thereunder. As stated in the Board Letter, as the Acquisition is a discloseable transaction and hence it will only be subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Ng Kwok Fu, Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven, has been established to advise the Independent Shareholders as to whether the terms of the Disposal Agreement and the transaction contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolution in the SGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Except for being appointed as the independent financial adviser to the then independent board committee and independent shareholders of C C Land Holdings Limited (“CC Land”), a company listed on the Main Board of the Stock Exchange (Stock Code: 01224), which Mr. Cheung, as at the Latest Practicable Date, through his indirect shareholding in various entities is also its controlling shareholder, chairman and executive director (details of which have been set out in the letter from the Independent Financial Adviser contained in the circular of CC Land dated 13 November 2014), we have no relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. We are hence independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts included in the Circular and supplied to us, and the representations expressed by the Directors and/or management of the Group, and have assumed that all such information, financial information, facts and any representations made to us, or referred to in the Circular, for which they are fully responsible, in all material aspects, were true, accurate and complete as at the time they were made and as at the date hereof, have been properly extracted from the relevant

LETTER FROM HALCYON

underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and representations provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Group including the Circular, the Disposal Agreement, the valuation report on the Century Square Property and Prestige Tower Property (collectively referred to as the “Disposal Properties”) and certain published information from the public domain.

We have also reviewed certain information provided by the Directors and/or the management of the Group relating to the operations, financial conditions and prospects of the Group. We have also discussed with the Directors and/or the management of the Group with respect to the terms of and the reasons for the Proposed Disposal and considered that we have reviewed sufficient information to reach an informed view and to justify reliance on the information provided and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and supplied to us by the Directors and/or the management of the Group nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or prospects of the Group, Access Power and each of their respective associates, and the parties involved in the Disposal Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Disposal, we have considered the following principal factors and reasons:

I. Information on the Group

1. *Principal business of the Group*

The Group has been engaged in property investment, property trading, and provision of property management and related services, and investment holding in Hong Kong for over 20 years. As at the Latest Practicable Date, the Group held two major investment properties namely the Disposal Properties, along with one other property in Hong Kong and three properties in Shenzhen, the PRC (the “Remaining Properties”). In February 2015, the Group tapped into the UK property market through the establishment with an independent third party of a joint venture company, the London PropCo, which holds indirectly the London Property.

LETTER FROM HALCYON

The Group also has an interest in Cross-Harbour, a company listed in Hong Kong on the Main Board of Stock Exchange (Stock Code: 0032) since 2001, amounting to approximately 41.66% as at the Latest Practicable Date. The principal activities of Cross-Harbour are the operation of motoring schools, tunnels and an electronic toll collection system, and investment. The Group's interest in Cross-Harbour had over the years contributed steady return to the Group, and during the two years ended 31 December 2014, such return had accounted for over approximately 30% of the profit before tax of the Group.

Throughout the years, the Group had been seeking to maximise the Group's return through adopting a prudent and cautious approach to explore investment opportunities in the property investment market locally and overseas.

2. *Financial information of the Group*

(i) *Financial position*

Set out below is the summary of the consolidated statements of financial position of the Group as at 30 June 2015 and as at 31 December 2013 and 2014 as extracted from its interim report for the six months ended 30 June 2015 (the "2015 Interim Report") and its annual report of the Company for the year ended 31 December 2014 (the "2014 Annual Report") respectively:

	As at 31 December		As at
	2014	2013	30 June
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties	3,959,200	3,807,800	4,077,000
Investment in an associate	1,954,043	1,794,672	2,116,821
Investment in a joint venture	—	—	113,126
Other non-current assets	<u>2,318</u>	<u>2,852</u>	<u>2,149</u>
	<u>5,915,561</u>	<u>5,605,324</u>	<u>6,309,096</u>
Current assets			
Trade receivables	766	458	530
Other receivables, deposits and prepayments	6,767	8,541	5,695
Dividend receivable from an associate	—	—	9,315
Cash and cash equivalents	<u>380,717</u>	<u>250,234</u>	<u>321,008</u>
	<u>388,250</u>	<u>259,233</u>	<u>336,548</u>
Total assets	<u><u>6,303,811</u></u>	<u><u>5,864,557</u></u>	<u><u>6,645,644</u></u>

LETTER FROM HALCYON

	As at 31 December		As at
	2014	2013	30 June
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Other payables and accrued expenses	83,241	77,348	68,486
Bank loans, secured	20,000	31,500	20,000
Other current liabilities	<u>1,465</u>	<u>3,995</u>	<u>12,941</u>
	<u>104,706</u>	<u>112,843</u>	<u>101,427</u>
Non-current liabilities			
Bank loans, secured	81,600	101,600	71,600
Deferred tax liabilities	<u>78,935</u>	<u>74,974</u>	<u>81,607</u>
	<u>160,535</u>	<u>176,574</u>	<u>153,207</u>
Total liabilities	<u>265,241</u>	<u>289,417</u>	<u>254,634</u>
Net assets	<u>6,038,570</u>	<u>5,575,140</u>	<u>6,391,010</u>
Total equity attributable to equity holders of the Company	<u>6,038,570</u>	<u>5,575,140</u>	<u>6,391,010</u>

As at 31 December 2014

As at 31 December 2014, total assets of the Group amounted to approximately HK\$6,303.8 million. Apart from the Disposal Properties, the Remaining Properties and cash and cash equivalents, major assets of the Group included the investment in an associate, Cross-Harbour, which accounted for approximately 31.0% of the total assets of the Group as at 31 December 2014. Total assets of the Group increased slightly by HK\$439.2 million (or equivalent to approximately 7.5%) from HK\$5,864.6 million as at 31 December 2013 to HK\$6,303.8 million for the year ended 31 December 2014, such increase was contributed by (i) the increase in investment in associate as a result of the increase in net assets of Cross-Harbour; (ii) the increase in investment properties as a result of fair value gain of the investment properties during the year; and (iii) the increase in cash and cash equivalents as a result of decrease in repayment of bank borrowings.

LETTER FROM HALCYON

As at 31 December 2014, total liabilities of the Group amounted to approximately HK\$265.2 million which mainly comprised of bank loans amounted to approximately HK\$101.6 million, other payables and accrued expenses amounted to approximately HK\$83.2 million, and deferred tax liabilities amounted to approximately HK\$78.9 million. Total liabilities of the Group decreased by approximately 8.4% from approximately HK\$289.4 million to approximately HK\$265.2 million. Such decrease was mainly contributed by the repayment of bank loan during the year.

Shareholder's funds of the Company amounted to approximately HK\$6,038.6 million as at 31 December 2014, representing an increase of approximately 8.3% as compared to that as at 31 December 2013. Such increase was mainly contributed by the profits generated by the Group during the year.

As at 30 June 2015

As at 30 June 2015, total assets of the Group amounted to approximately HK\$6,645.6 million. Major assets of the Group continued to comprise the Disposal Properties, the Remaining Properties, the investment in an associate, Cross-Harbour and cash and cash equivalents. During the six months period ended 30 June 2015, the Group has also established a joint venture (i.e. London PropCo) with an independent third party, which indirectly held the London Property, the carrying value of which as at 30 June 2015 amounted to HK\$113.1 million. Total assets of the Group as at 30 June 2015 increased by approximately HK\$341.8 million (equivalent to approximately 5.4%) from HK\$6,303.8 million as at 31 December 2014 to HK\$6,645.6 million as at 30 June 2015. Such increase was mainly contributed by the fair value gain from the investment properties and the increase in net asset value of Cross-Harbour shared by the Group. During the period Cross-Harbour also declared a dividend and thus the Group recorded a current asset of dividend receivable from Cross-Harbour during the period amounted to HK\$9.3 million.

Total liabilities as at 30 June 2015 amounted to approximately HK\$254.6 million, which continued to comprise of bank loans amounted to HK\$91.6 million, deferred tax liabilities amounted to HK\$81.6 million, and other payables and accrued expenses amounted to HK\$68.5 million. The Group recorded a slight decrease in total liabilities during the period of approximately HK\$10.6 million (equivalent to approximately 4.0%) from HK\$265.2 million to approximately HK\$254.6 million. Such decrease was mainly contributed by the repayment of bank loans during the period amounted to HK\$10.0 million.

As at 30 June 2015, the Shareholders' funds of the Company amounted to approximately HK\$6,391.0 million, representing an increase of approximately 5.8% as compared to that as at 31 December 2014, which was primarily contributed by the profit recorded for the six months ended 30 June 2015.

LETTER FROM HALCYON

(ii) *Financial performance*

Set out below are the consolidated financial results of the Group for the six months ended 30 June 2015 and 30 June 2014 and each of the two years ended 31 December 2014, as extracted from the 2015 Interim Report and the 2014 Annual Report respectively:

	For the year ended 31 December		For the six months ended 30 June	
	2014 ("FY2014") <i>(audited)</i> HK\$'000	2013 ("FY2013") <i>(audited)</i> HK\$'000	2015 ("HY2015") <i>(unaudited)</i> HK\$'000	2014 ("HY2014") <i>(unaudited)</i> HK\$'000
Revenue	211,826	200,766	107,728	104,382
- <i>Property investment</i>	202,642	192,154	102,796	99,822
- <i>Property management and related services</i>	9,184	8,612	4,932	4,560
Change in fair value of investment properties	152,811	273,265	115,056	78,380
Share of results of an associate	196,715	183,370	131,324	99,875
Administrative expense	(46,158)	(39,701)	(15,475)	(14,359)
Finance costs	(3,064)	(3,579)	(1,369)	(1,517)
Profit before tax	507,965	609,828	328,053	264,478
Income tax expense	<u>(25,712)</u>	<u>(25,097)</u>	<u>(13,797)</u>	<u>(12,877)</u>
Profit for the year/period attributable to equity holders of the Company	<u>482,253</u>	<u>584,731</u>	<u>314,256</u>	<u>251,601</u>

For the year ended 31 December 2014

As depicted by the table above, the revenue of the Group is derived from property investment business and property management and related services. Property investment business comprised investment in properties for rental income and potential capital appreciation, whereas the property management and related services segment comprised provision of property management and related technical consultancy services. As advised by the management of the Group, save for the Disposal Properties, the other properties continued to be held by the Group as investment properties.

As disclosed in the 2014 Annual Report, revenue of the Group for FY2014 amounted to approximately HK\$211.8 million, representing an increase of approximately 5.5% as compared to that of approximately HK\$200.8 million for FY2013. As advised by the management of the Group, such increase in revenue of the Group for FY2014 was primarily due to an increase of 5.5% in the rental

LETTER FROM HALCYON

income generated from the Disposal Properties as compared to that for FY2013, resulting from a rise in rental rate during 2014. Similarly, the net revenue after direct outgoings increased by approximately 5.6% from approximately HK\$193.9 million for FY2013 to approximately HK\$204.8 million for FY2014.

Despite the Group recorded increments in revenue and net revenue after direct outgoings for FY2014 as compared with those for FY2013, the net profit attributable to equity holders of the Company for FY2014 has decreased by approximately 17.5% to approximately HK\$482.3 million as compared to that of approximately HK\$584.7 million for FY2013. With reference to the 2014 Annual Report and as elaborated by the management of the Group, this decrease in profitability for FY2014 was mainly due to a decrease in fair value gain in the Group's investment properties (i.e. the Disposal Properties and the Remaining Properties) by approximately 44.1% from approximately HK\$273.3 million for FY2013 to approximately HK\$152.8 million for FY2014. As advised by the management of the Group, such decrease in fair value gain in the Group's investment properties was mainly a result of the growth in the property market continued at a slower rate during 2014, leading to lower capital appreciation of the investment properties. Excluding the effect of property revaluation, the Group recorded an increase in net profit attributable to equity holders of the Company of 5.7% over FY2013.

For the six months period ended 30 June 2015

As set out in the 2015 Interim Report, revenue of the Group amounted to approximately HK\$107.7 million for HY2015, representing an increase of approximately 3.2% as compared to that for HY2014, which was mainly due to an increase by approximately 3.0% in rental income generated from the Disposal Properties as a result of innovative and proactive marketing endeavors and a steady increase in overall rental rates during HY2015. Net revenue after direct outgoings rose from approximately HK\$101.4 million for HY2014 to approximately HK\$104.5 million for HY2015, representing an increase of approximately 3.1%. Net profit for the period attributable to equity holders of the Company for HY2015 amounted to approximately HK\$314.3 million, which was approximately 24.9% higher than the results of that for HY2014 due to both an increase in fair value gain in the Group's investment properties from approximately HK\$78.4 million for FY2014 to approximately HK\$115.1 million for HY2015 and an increase in share of profit from Cross-Harbour during.

3. Information of HK PropCo Group and HK ServiceCo Group

(i) HK PropCo Group

HK PropCo, through its subsidiaries, principally engages in the holding and leasing of properties namely the Prestige Tower Property and the Century Square Property (i.e. the Disposal Properties).

The Disposal Properties

The Prestige Tower Property is a commercial building completed in 1963 and located at 23 and 25 Nathan Road, Tsimshatsui, Hong Kong, which comprises 12 stories plus a basement and a penthouse with a total gross floor area of approximately 113,721 square feet and the average

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occupancy rate of the Prestige Tower Property was approximately 100% for both the year ended 31 December 2014 and the period ended 30 June 2015. According to the valuation (the “Disposal Valuation”) carried out by Savills Valuation and Professional Services Limited (“Savills”), an independent property valuer, the value of the Prestige Tower Property was HK\$2,040 million as at 31 October 2015.

The Century Square Property is a commercial building located at 1-13 D’Aguilar Street, Central, Hong Kong, completed in 1984. The Century Square Property comprises 21 stories plus a basement with a total gross floor area of approximately 94,727 square feet and the average occupancy rate of the Century Square Property was approximately 93.4% and 90.9% for the year ended 31 December 2014 and for the period ended 30 June 2015 respectively. According to the Disposal Valuation, the value of the Century Square Property was HK\$2,030 million as at 31 October 2015.

Financial information of HK PropCo Group

(a) Financial performance

Set out below is the financial performance of HK PropCo Group for the three years ended 31 December 2014 and for the ten months period ended 31 October 2015, as extracted from Appendix II to the Circular:

	Unaudited				
	Year ended 31 December			Ten months ended	
	2012	2013	2014	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
REVENUE	173,356	192,154	202,642	168,480	173,931
Direct outgoings	<u>(7,450)</u>	<u>(5,371)</u>	<u>(5,681)</u>	<u>(4,663)</u>	<u>(4,335)</u>
	165,906	186,783	196,961	163,817	169,596
Other income and other net losses	1,023	327	405	314	513
Administrative expenses	(38,467)	(42,584)	(47,346)	(39,797)	(38,511)
Finance costs	(5,109)	(3,847)	(3,167)	(2,698)	(2,400)
Changes in fair value of investment properties	<u>195,419</u>	<u>272,564</u>	<u>152,811</u>	<u>132,823</u>	<u>112,456</u>
PROFIT BEFORE TAX	318,772	413,243	299,664	254,459	241,654
Income tax expense	<u>(20,334)</u>	<u>(23,204)</u>	<u>(24,203)</u>	<u>(20,041)</u>	<u>(21,249)</u>
PROFIT FOR THE YEAR/ PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>298,438</u>	<u>390,039</u>	<u>275,461</u>	<u>234,418</u>	<u>220,405</u>

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For the year ended 31 December 2012

Revenue of HK PropCo Group mainly represented rental income from the Disposal Properties. Direct out-goings in relation to the Disposal Properties were mainly operational expense in association with the generation of rental income. Change in fair value of investment properties represented fair value gain from the Disposal Properties which contributed approximately 65.5% of HK PropCo's profit for the year ended 31 December 2012, such change in fair value will fluctuate from time to time influenced by the performance of the Hong Kong property market. Finance cost mainly represented interest expense charged in respect of the amount due to Post-Completion Group. Income tax expense mainly represents Hong Kong profit tax charged at the statutory profit tax rate of 16.5%.

For the year ended 31 December 2013

Revenue of HK PropCo Group rose by approximately 10.8% from HK\$173.4 million for the year ended 31 December 2012 to HK\$192.2 million for the year ended 31 December 2013. The increase in revenue was mainly contributed by the increase in rental rates of the Disposal Properties. Changes in fair value of investment properties also increase by approximately 39.5% from HK\$195.4 million for the year ended 31 December 2012 to HK\$272.5 million for the year ended 31 December 2013. Such increase was due to an upward revaluation of the Group's investment properties. As a result of both increase in revenue and changes in fair value of investment properties, HK PropCo recorded an increase in profit for the year by approximately 30.7% as compared to that of in 2012.

For the year ended 31 December 2014

As a result of further increase in rental rates of the Disposal Properties, revenue of HK PropCo Group further increased by approximately 5.4% to HK\$202.6 million for the year ended 31 December 2014. As a result of the slowing in growth in the property market in Hong Kong, the changes in fair value of investment properties for HK PropCo Group decreased significantly by approximately 43.9% as compared to that of in 2013. As a result of the significant decrease in the changes in fair value of investment properties of HK PropCo Group, the profit for the year of 2014 of HK PropCo Group also decreased by approximately 29.4% to HK\$275.5 million as compared to prior year.

For the ten months period ended 31 October 2015

For the ten months period ended 31 October 2015, HK PropCo Group recorded an increase in revenue of approximately 3.2% to HK\$173.9 million as compared to the corresponding period in 2014, such increase was mainly contributed by the increase in rental rates during the period. As a result of the continuing slowdown of the Hong Kong property market, the changes in fair value of investment properties for HK PropCo Group continue to record a decrease of approximately 15.3% to HK\$112.5 million in the ten months period ended 31 October 2015 as compared to the corresponding period in 2014. As a result of such decrease, the Group recorded an approximately 6.0% decrease in profit for the period from HK\$234.4 million for the ten months period ended 31 October 2014 to HK\$220.4 million for the ten months period ended 31 October 2015.

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(b) Financial position

Set out below is the financial position of HK PropCo Group as at 31 December 2012, 2013 and 2014 and as at 31 October 2015, as extracted from Appendix II to the Circular:

	Unaudited			
	As at 31 December			As at
	2012	2013	2014	31 October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS				
Investment properties	3,522,100	3,796,400	3,947,800	4,050,616
Amounts due from the Post-Completion Group	<u>—</u>	<u>22,088</u>	<u>153,862</u>	<u>—</u>
Total non-current assets	<u>3,522,100</u>	<u>3,818,488</u>	<u>4,101,662</u>	<u>4,050,616</u>
CURRENT ASSETS				
Trade receivables	779	57	496	362
Other receivables, deposits and prepayments	10,479	7,567	5,584	3,908
Cash and cash equivalents	<u>10</u>	<u>10</u>	<u>10</u>	<u>14</u>
Total current assets	<u>11,268</u>	<u>7,634</u>	<u>6,090</u>	<u>4,284</u>
CURRENT LIABILITIES				
Other payables and accrued expenses	48,481	51,574	55,523	75,626
Tax payable	<u>4,172</u>	<u>2,833</u>	<u>1,032</u>	<u>2,753</u>
Total current liabilities	<u>52,653</u>	<u>54,407</u>	<u>56,555</u>	<u>78,379</u>
NET CURRENT LIABILITIES	<u>(41,385)</u>	<u>(46,773)</u>	<u>(50,465)</u>	<u>(74,095)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,480,715</u>	<u>3,771,715</u>	<u>4,051,197</u>	<u>3,976,521</u>

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	Unaudited			
	As at 31 December			As at
	2012	2013	2014	31 October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Amounts due to the Post-Completion				
Group	103,092	—	—	601,522
Deferred tax liabilities	<u>69,550</u>	<u>73,603</u>	<u>77,624</u>	<u>81,021</u>
Total non-current liabilities	<u>172,642</u>	<u>73,603</u>	<u>77,624</u>	<u>682,543</u>
Net assets	<u>3,308,073</u>	<u>3,698,112</u>	<u>3,973,573</u>	<u>3,293,978</u>
EQUITY				
Equity attributable to shareholders of HK PropCo				
Share capital	2	2	2	2
Reserves	<u>3,308,071</u>	<u>3,698,110</u>	<u>3,973,571</u>	<u>3,293,976</u>
Total equity	<u>3,308,073</u>	<u>3,698,112</u>	<u>3,973,573</u>	<u>3,293,978</u>

Investment properties

Investment properties mainly represents the Disposal Properties, the increase in investment property balances during the three years ended 31 December 2014 and for the ten months ended 31 October 2015 were mainly contributed by the the fair value gain in respect of the investment properties.

Other payables and accrued expenses

Included in other payables and accrued expenses were mainly deposit received from tenants of the Disposal Properties.

Amount due to the Post-Completion Group

Amount mainly represents HK PropCo Sale Loan of approximately HK\$600 million which forms part of the Proposed Disposal.

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Deferred tax liabilities

Deferred tax liabilities were mainly resulted from taxable temporary differences of depreciation allowances and related depreciation of the Disposal Properties.

(ii) *HK ServiceCo Group*

HK ServiceCo and its subsidiaries principally engage in the management of the Disposal Properties.

Financial information of HK ServiceCo Group

(a) Financial performance

Set out below is the summary of financial performance of HK ServiceCo Group for the three years ended 31 December 2014 and for the ten months period ended 31 October 2015, as extracted from Appendix II to the Circular:

	Unaudited				
	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	9,916	8,612	9,184	7,612	7,271
Profit before tax	4,402	4,410	4,989	4,167	4,017
Profit for the year/period and total comprehensive income for the year/period	3,695	3,683	4,188	3,501	3,368

Revenue of the HK ServiceCo Group mainly represents income generated from provision of property management, technical and related services to the Disposal Properties. Major expenses were mainly direct outgoings in relation to renovation and maintenance services provided to tenants of the Disposal Properties as well as administrative expense charged by related companies in respect of their provision of human resources and office administrative service to HK ServiceCo Group.

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(b) Financial position

Set out below is the summary of financial position of HK ServiceCo Group as at 31 December 2012, 2013 and 2014 and as at 31 October 2014 and 2015, as extracted from Appendix II to the Circular:

	Unaudited			
	As at 31 December			As at
	2012	2013	2014	31 October
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Total assets	31,265	34,556	38,971	1,120
Total liabilities	676	284	511	492
Net assets	30,589	34,272	38,460	628

Included in total assets were mainly trade receivables and amount due from the Post-Completion Group. The amount due from the Post-Completion Group was fully settled in 2015 by way of declaration of interim dividend. Liabilities of the HK ServiceCo Group included other payables and accrued expense. As at 31 October 2015, HK ServiceCo Group also recorded an amount due to the Post-Completion Group of approximately HK\$0.3 million (i.e. the HK ServiceCo Sale Loan), which forms part of the Proposed Disposal.

Net assets of HK ServiceCo Group recorded an increase of approximately HK\$7.9 million during the three years ended 31 December 2014 contributed by the profit recorded by HK ServiceCo Group during the three years ended 31 December 2014. HK ServiceCo Group recorded a substantial decrease in net assets from approximately HK\$38.5 million as at 31 December 2014 to approximately HK\$0.6 million as at 31 October 2015. Such decrease was contributed by the interim dividend declared in 2015 amounted to HK\$41.2 million.

Following Disposal Completion, HK PropCo and HK ServiceCo and their respective subsidiaries will cease to be subsidiaries of the Company and their assets and liabilities and profits and losses will no longer be accounted for in the consolidated financial statements of the Company.

II. The Proposed Disposal

1. *Background to and reason for the Proposed Disposal*

The Directors considered that in light of the uncertain and challenging economic environment in Hong Kong and the risk of market correction for the Hong Kong property market, the Group is currently looking for possible investment opportunities in other well-developed markets such as the United Kingdom, the United States, Australia and Japan. The Transactions will enable the Group to

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expand its overseas property portfolio, while at the same time reducing its exposure to the Hong Kong property market. Through the Proposed Disposal, the Group will be able to unlock the value of its investments in properties in Hong Kong, namely, the Disposal Properties, and to utilise proceeds from the same to fund the Acquisition Consideration and the repayment of the Castro Global Loans and the Bank Borrowings, as general working capital, as well as to expand its overseas property portfolio. Conditional upon Disposal Completion and Acquisition Completion having taken place, the Special Cash Dividend will be paid out of the proceeds from the Proposed Disposal after taking into account the future investment and working capital needs of the Post-Completion Group. Shareholders will be able to realise the intrinsic value of the Shares in the form of the Special Cash Dividend. In line with the Group's cautious development strategy, after Acquisition Completion, the Group will have expanded its investment in the London property market, and will wholly own the London Property which will then be held for leasing and will provide a steady income stream in the form of recurring gross rental income for the Group. In addition, the Group will still have approximately 41.66% interest in Cross-Harbour, its principal associated company since 2001, which the Group currently has no intention to dispose of in the near future. The Directors consider that the terms and conditions of the Transactions are on normal commercial terms, and together with the Special Cash Dividend are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

According to the Directors, as the Disposal Properties are commercial buildings composed of retail stores and offices with heavy reliance on tenants from various retail sectors such as fashion and beauty; food, beverage and wine; watch and jewellery etc., taking into account the backdrop of weaker consumption sentiment and a continuing slowdown in growth of Mainland Chinese tourist spending, the Group considered that the slowdown in inbound tourism and retail market has a strong impact on its tenants' businesses, which may place pressures on the rental income of the Group driven by those tenants.

As at the Latest Practicable Date and as disclosed in the section headed "Information on the Post-Completion Group" and the section headed "Use of proceeds from the Proposed Disposal", the Post-Completion Group will continue to leverage on its resources and expertise to seek out suitable investment opportunities overseas and in China to broaden its income and create value for the Shareholders.

When considering the disposal of the Disposal Properties, the Directors decided to negotiate with Mr. Cheung whom they regarded as a committed and capable purchaser and who is already familiar with the Disposal Properties. The Directors also considered that negotiations with Mr. Cheung could proceed in complete confidence reducing the risk of disturbing the market and the disposal would more likely to proceed to completion with Mr. Cheung. Accordingly, the Company did not proceed with the Proposed Disposal in other methods.

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2. *Industry overview of the Hong Kong retail and office properties, tourism and retail sales market*

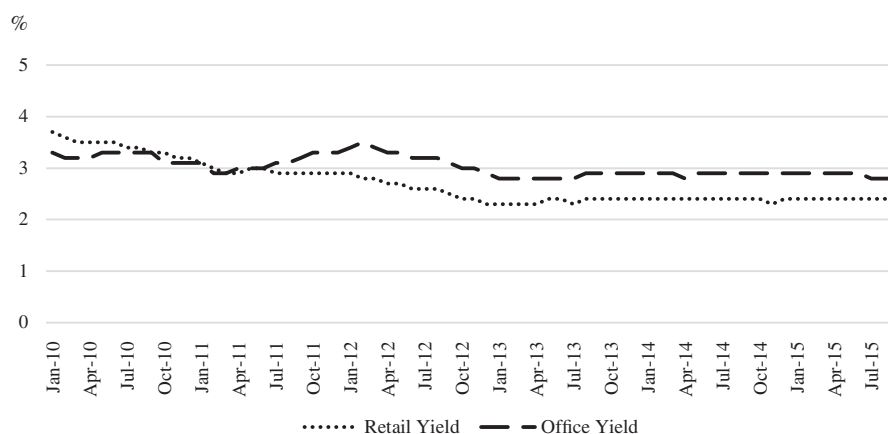
As the Century Square Property and Prestige Tower Property are commercial properties with combination of retail stores and offices located in Hong Kong, in order to assess the fairness and reasonableness of the Proposed Disposal, we have also reviewed the (i) retail and office rental yield in Hong Kong; (ii) growth rate of the rental index (the “Rental Index”) of private retail and office properties in Hong Kong; and (iii) growth rate of price index (the “Price Index”) of private retail and office properties in Hong Kong.

As retail property growth will also be affected by tourism market and retail sales market in Hong Kong, analysis have also been made regarding the tourism market and retail sales market in Hong Kong.

Hong Kong retail and office properties

Set out below are the diagrams showing the (i) retail and office rental yield in Hong Kong; (ii) growth rate of the Rental Index of private retail and office properties in Hong Kong; and (iii) growth rate of Price Index of private retail and office properties in Hong Kong.

Retail Yield and Office Yield

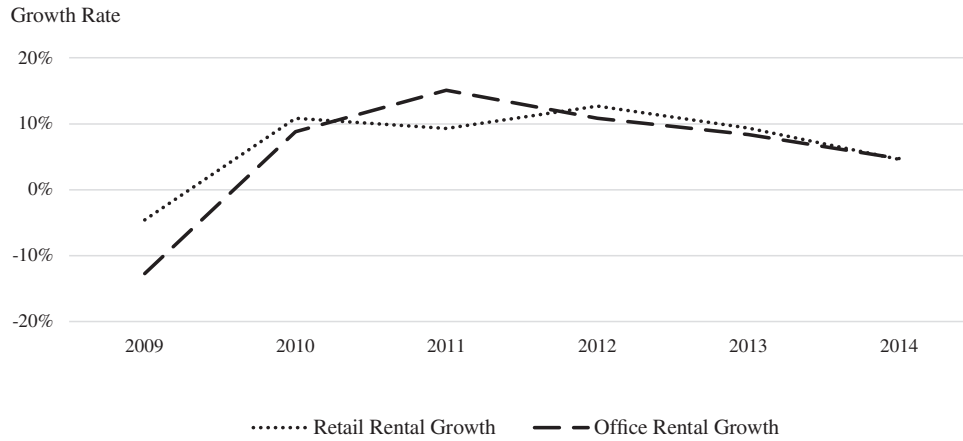


Source: Rating and Valuation Department of the Government of Hong Kong

As shown above, save for a period of growth during February 2011 to February 2012 for the office yield, the retail yield and office yield have decreased from March 2012 up to September 2015. The retail yield has dropped from approximately 3.7% in January 2010 to approximately 2.4% in September 2015, represented an accumulated drop of approximately 35.1% throughout the review period, whereas the office yield has dropped from approximately 3.3% in January 2010 to approximately 2.8% in September 2015, represented an accumulated drop of approximately 15.2%.

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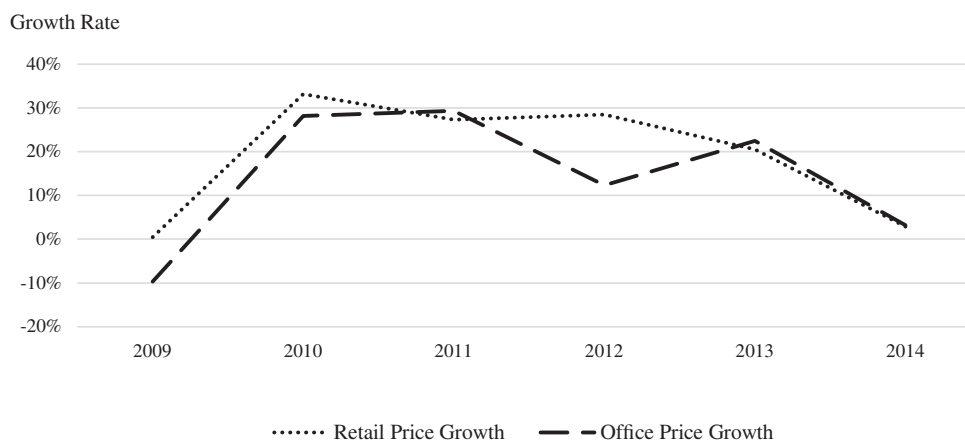
Growth rates of the rental indices of private retail and private offices (1999 = 100)



Source: Rating and Valuation Department of the Government of Hong Kong

As shown above, the rental growth of retail and office properties in Hong Kong had recorded a robust growth between 2009 and 2010. Rental growth rate then started peaking off in 2010 and 2011 for retail properties and office properties respectively. Since 2012, rental growth rate of retail and office properties in Hong Kong experienced a decreasing trend and the growth rates had decreased to single digit in 2013. In 2014 the rental growth for retail properties and office properties only achieved a growth rate of approximately 4.6% and approximately 4.7% respectively.

Growth rates of the price indices of private retail and private offices (1999 = 100)



Source: Rating and Valuation Department of the Government of Hong Kong

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As shown above, the growth of retail property and office property price in Hong Kong had recorded a growth between 2009 and 2010. The growth of property prices then started to peak-off in 2010 and 2011 for retail properties and office properties respectively. For growth rate of retail properties, after peaking off after 2012, the growth rate of retail properties continues to decrease through-out the years and recorded only a growth of approximately 2.8% in 2014 as compared to that of 2013. Growth rate of office properties after recording a sharp fall in 2011, picked up in 2013. However the recovery of growth rate did not sustain, growth rate for office properties continue to decrease in 2014 and recorded only a growth of approximately 3.2% in 2014 as compared to that of 2013.

Tourism industry in Hong Kong

According to the monthly statistics published by Hong Kong Tourism Board (<http://partnernet.hktb.com/>), the total number of visitor arrivals in Hong Kong recorded a year-on-year growth of approximately 12.0% from approximately 54.30 million in 2013 to approximately 60.84 million in 2014, yet this represented a deceleration from the annual average growth of approximately 16.4% during 2010 to 2013. Inbound tourism exhibited a visible slowdown in 2015 as total number of visitor arrivals in Hong Kong showed a decline of approximately 1.7% from approximately 55.17 million for the first eleven months of 2014 to approximately 54.25 million for the first eleven months of 2015.

Retails Sales in Hong Kong

In line with such decrease in inbound tourism, we also noted from the monthly survey of retail sales published by the Census and Statistics Department of the Government of Hong Kong (<http://www.censtatd.gov.hk/>), that the value of total retail sales for the first eleven months of 2015 has decreased by approximately 3.1% to approximately HK\$431.51 billion as compared with the same period in 2014. The declining trend was largely attributable to the double-digit decrease in the retail sales value of jewellery, watches and clocks, and valuable gifts (the “Luxury Goods”), which were popular shopping items among visitors. For the first eleven months of 2015, the retail sales value of the Luxury Goods decreased by approximately 15.4% to approximately HK\$78.21 billion as compared with the same period in 2014, this is followed by the retail sales value of clothing, footwear and allied products which decreased by approximately 6.2% in value to approximately HK\$55.08 billion.

Also, according to the “Q3 2015 Consumer Confidence Report” published on 3 November 2015 by Nielsen, a professional market research group (<http://www.nielsen.com>), consumer confidence in Hong Kong decreased to 99 points in the third quarter of 2015 from 105 points in the second quarter of 2015.

The Directors are of the view that given that (i) the rental yield had shown declining trend; (ii) the inbound tourism and retail market had been slowing down which would impact the Group’s tenants profitability hence the rental affordability to the Group’s investment properties in Hong Kong; (iii) the decline in growth rates in respect of the Rental Index and Price Index analysed above indicates a

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declining trend in the growth of Hong Kong's retail and office property market; and (iv) the first increase in interest rate in the United States of America in mid-December by Federal Reserve since 2006 which would directly influence Hong Kong's future interest rate in 2016, of which any increase in interest rate in Hong Kong would further hinder the growth in the property market, the decision in cashing out of the majority investment portfolio in Hong Kong and invest in an overseas markets with better growth momentum would enable the Group to further enhance the return on its investment property portfolio while allowing the Shareholders to enjoy an upfront immediate return on its Shares.

III. Principal terms of the Disposal Agreement

On 17 December 2015, YT Investment and Access Power entered into the Disposal Agreement pursuant to which YT Investment conditionally agreed to sell and assign to Access Power the Sale Shares, representing the entire issued share capital of HK PropCo and HK ServiceCo respectively, and the Sale Loans, at the Disposal Consideration.

(i) *Consideration and assets to be disposed*

Pursuant to the Disposal Agreement, on 17 December 2015, the Disposal Consideration was an initial amount of approximately HK\$4,020.9 million, comprising approximately:

- i. HK\$3,394.4 million, for the Shares of HK PropCo, and HK\$601.5 million, for the HK PropCo Sale Loan, subject to the adjustment as stipulated in the Disposal Agreement; and
- ii. HK\$25 million, for the shares of HK ServiceCo and the HK ServiceCo Sale Loan.

The Disposal Consideration will be paid by Access Power to YT Investment in cash in two installments; (i) HK\$600 million, within 5 business days after the fulfilment of Disposal Condition regarding the passing of an ordinary resolution by the Independent Shareholders at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder in compliance with the Listing Rules; and (ii) HK\$3,420.9 million at Disposal Completion.

(ii) *Basis of consideration*

HK Propco and HK PropCo Sale Loan

The Disposal Consideration was determined after arm's length negotiations between YT Investment and Access Power, with reference to the market valuation of the Prestige Tower Property and the Century Square Property of HK\$2,040 million and HK\$2,030 million respectively as at 31 October 2015 and the unaudited consolidated financial information of HK PropCo as at 31 October 2015. For reference, the initial consideration for the shares of HK PropCo, being approximately HK\$3,394.4 million, was derived from the unaudited consolidated net asset value of HK PropCo of approximately HK\$3,294 million by (a) replacing the book value of the Prestige Tower Property and the Century Tower Property of approximately HK\$4,051 million comprised in such net asset value,

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with the value of such property interests as agreed between YT Investment and Access Power of HK\$2,040 million and HK\$2,030 million respectively; and (b) adding back the amount of deferred tax liabilities of approximately HK\$81 million, as shown in the unaudited consolidated accounts of HK PropCo as at 31 October 2015. Despite HK PropCo is profit making, when determining the basis for the Disposal Consideration, the management of the Group did not make reference to the price earnings multiple of HK PropCo, as the operation of HK PropCo, being property investment, is considered to be capital in nature, we concur with the view of the management that, by referencing to the adjusted unaudited consolidated net asset value of HK PropCo which had taken into account the latest market value of the Disposal Properties in determining the Disposal Consideration would be more relevant.

Valuation of the Disposal Properties

According to the valuation report (the “Disposal Valuation Report”) of Savills (the details of which are set out in appendix IV to the Circular), the Disposal Valuation of the Prestige Tower Property and the Century Square Property as at 31 October 2015 were HK\$2,040 million and HK\$2,030 million respectively.

We have reviewed the Disposal Valuation Report and discussed with Savills in respect of the methodology of, and the basis and assumptions adopted for the Disposal Valuation and adjustments made to arrive at the Disposal Valuation. We noted that Savills has carried out inspection of the Disposal Properties externally and, where possible, the interior of the premises. The Disposal Valuation was conducted with reference to the sales evidence as available on the market and where appropriate on the basis of capitalization of the net income of the Disposal Properties.

We have also enquired into (i) the terms of engagement of Savills (including its independence) with the Company; (ii) the qualification and experience of Savills in relation to the valuation of similar property interests in Hong Kong and the preparation of the Disposal Valuation Report; (iii) the steps and works taken by Savills in conducting the Disposal Valuation; and (iv) the information and representations provided by the Group to Savills. From the relevant information provided by Savills and based on our interview with them, we noted that Mr. Charles C K Chan has been a qualified valuer with about 31 years’ experience in the valuation of properties in Hong Kong and Mr. Eddie So, who carried out the inspection of the Disposal Properties also had more than 10 years of experience in the valuation of Hong Kong properties, which we considered as qualified for the preparation of the Disposal Valuation Report.

Further details of the basis and assumptions of the Disposal Valuation are included in the Disposal Valuation Report. During our discussion with Savills, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Disposal Valuation. Nevertheless, Shareholders should note that valuation of property usually involves assumptions and therefore the Disposal Valuation may or may not reflect the true market value of the Disposal Properties accurately.

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In addition, we have also discussed with Savills the valuation methodology for the valuation of the Disposal Properties, and are given to understand that three generally accepted valuation approaches, namely cost approach, market approach and income capitalization approach, are considered.

It was understood that the cost approach has not been employed in performing the valuation of the Disposal Properties, as the cost approach does not take into account of the market value attributable to the owner. Cost approach considers the cost to reproduce or replace in new condition the property valued in accordance with current market cost for similar property, adjusted for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. Actual costs incurred for the upgrading of the property to be appraised will also be considered in this approach. It generally furnishes an indication of value for a property in the absence of a known market based on comparable sales and is often used for valuing specialised properties which rarely changes hand and for which there are few or no comparables. Therefore, the cost approach did not apply in this case.

As noted from the Disposal Valuation Report, we understand that the Disposal Valuation was conducted with reference to the sales evidence as available on the market and where appropriate on the basis of capitalization of the net income of the Disposal Properties incomes as shown on the schedules handed to Savills with due allowance for reversionary income potential of the properties. According to our discussion with Savills, since the Disposal Properties have steady income stream which is generally suitable for applying capitalization of net income valuation approach. Furthermore, the valuation results by adopting the of capitalization of the net income approach have also been cross-referenced to the result by applying the market approach which made reference to comparable sales evidences as available in the relevant market of properties similar to the Disposal Properties.

The above valuation methodology adopted is, in our opinion, commonly used and reasonable approaches in establishing the market values of the Disposal Properties.

HK ServiceCo and the HK ServiceCo Sale Loan

The initial consideration for the shares of HK ServiceCo and the HK ServiceCo Sale Loan, being approximately HK\$25 million, was determined with reference to a price multiple of 6.5 (taking into account the limited growth potential of HK ServiceCo and its subsidiary as the Group's management services providers primarily for the Prestige Tower Property and the Century Square Property) of the average annual consolidated net profits of HK ServiceCo for the three years ended 31 December 2014 of approximately HK\$3.85 million.

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For our assessment of the consideration for the entire issued share capital of HK ServiceCo and the HK ServiceCo Sale Loan, we have reviewed the price to earnings ratios (“P/E ratio(s)”) of comparable companies (the “Comparable Companies”), which are (i) listed on the Stock Exchange; (ii) principally engaged in the property management services in Hong Kong; and (iii) recorded net profit for the latest financial year. The P/E ratio and the price to book value ratio are common price ratios to perform market comparison. Nonetheless, given that HK ServiceCo is a property management services provider, of which the business is not capital intensive in nature and did not have any significant tangible assets recorded over the three years ended 31 December 2014, we do not consider the price to book value ratio is relevant in our analysis and we have reviewed the P/E ratios of the Comparable Companies as follows:

Company name	Stock code	Market capitalization as at the date of the Announcement (HK\$ million)	Net Profit after taxation (HK\$ million)	P/E ratio (approximately times) (Note 1)
Kong Shum Union Property Management (Holding) Limited	8181	90.12	4.97	18.1
Synergis Holdings Limited	2340	424.10	45.34	9.4
Minimum				9.4
Maximum				18.1
Mean				13.8
HK ServiceCo as represented by the consideration of its entire issued share capital under the Disposal Agreement				6.5

Source: the website of the Stock Exchange

Notes:

- 1) The P/E ratio of the Comparable Companies are derived from dividing their market capitalisation values as at the date of the Announcement by their latest published net profit attributable to shareholders

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With reference to the above table, we note that the P/E ratio of HK ServiceCo represented by the consideration of its entire issued share capital and the HK ServiceCo Sale Loan under the Disposal Agreement is below the range of the P/E ratios of the Comparable Companies. Taking into account that (i) HK ServiceCo primarily provides property management services to the Disposal Properties, therefore engages in minimal business as compared to the Comparable Companies; and (ii) the shares of HK ServiceCo were not publicly listed which pricing of its shares will normally be affected by its liquidity; and (iii) the market capitalisation values of the Comparable Companies may not be directly related to their financial performances and will be jeopardized by their corporate actions, for example, such as Kong Shum Union Property Management (Holding) Limited has undergone an unconditional mandatory general offer to its shareholders in late 2014 to early 2015 and Synergis Holdings Limited has recently made an announcement pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers, the Directors were of the view and we concur that, despite price multiple of 6.5 times for the disposal of HK ServiceCo is below the range of the P/E ratios of the Comparable Companies, as (i) the HK ServiceCo provides property management services principally to the Disposal Properties and the Directors had no intention to expand its property management service business in the near future, and (ii) the disposal of HK ServiceCo is part and partial to the Proposed Disposal and the disposal of HK ServiceCo together with the sale of the Disposal Properties will better streamline the Group's business and enable the Group to continue focusing on its remaining business in the future, we therefore consider the consideration of the disposal of the HK ServiceCo is acceptable.

Based on the above including among other things: (i) the Disposal Consideration had took into account the unaudited financial performance and position of HK PropCo and HK ServiceCo as at 31 October 2015; and (ii) the Disposal Valuation of the Disposal Properties as detailed above; and (iii) the Group had no intention to expand its property management service business in the near future, we consider that the Disposal Consideration is fair and reasonable.

(iii) Adjustment to the Disposal Consideration

The consideration for the shares of HK PropCo and the HK PropCo Sale Loan will be adjusted on a dollar to dollar basis based on the consolidated net asset value of HK PropCo (with the book value of the Prestige Tower Property and the Century Square Property comprised therein to be replaced with HK\$2,040 million and HK\$2,030 million respectively, being the value of such property interests as agreed between YT Investment and Access Power, and not taking into account any deferred tax liabilities (i.e. to be added back in the computation of consolidated net asset value) of HK PropCo) and the amount of the HK PropCo Sale Loan, as to be disclosed in the Disposal Completion Accounts. YT Investment will indemnify Access Power for any claims suffered by Access Power and/or HK PropCo in respect of any deferred tax liabilities of HK PropCo and its subsidiaries not taken into account (i.e. have been added back in the computation of consolidated net asset value of HK PropCo) in the computation of the Disposal Consideration up to the amount of deferred tax liabilities in the Disposal Completion Accounts.

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The Disposal Completion Accounts will be delivered to Access Power within 7 business days after Disposal Completion (or such later date as YT Investment and Access Power may agree) and if the amount of the consideration paid for the shares of HK PropCo and the HK PropCo Sale Loan is different from the adjusted consideration amount based on the Disposal Completion Accounts, any shortfall will be paid by Access Power to YT Investment or any surplus will be refunded by YT Investment to Access Power (as the case may be) within 5 business days thereafter.

(iv) *Disposal Conditions*

Disposal Completion is conditional upon the fulfillment of all of the following conditions:

- a) the passing of an ordinary resolution by the Independent Shareholders at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder in compliance with the Listing Rules; and
- b) Acquisition Completion having occurred simultaneously with Disposal Completion.

(v) *Completion and guarantee*

Disposal Completion will take place within 14 business days (or such later date as may be agreed by YT Investment and Access Power in writing) after the fulfilment of Disposal Condition (a) (Disposal Condition (b) will be satisfied at Disposal Completion). If Disposal Completion has not occurred on or before 30 June 2016 (or such later date as YT Investment may agree with Access Power), the Disposal Agreement will lapse.

The obligations of and performance of the terms of the Disposal Agreement and the transactions contemplated thereunder by Access Power are guaranteed by Mr. Cheung.

IV. Use of proceeds from the Proposed Disposal

Proceeds from the Proposed Disposal will be utilised to (i) fund the Acquisition, including the repayment of the Castro Global Loans and the Bank Borrowings, and to pay all ancillary costs and expenses which is currently expected to be approximately HK\$4.5 million as at the Latest Practicable Date; (ii) to increase the Post-Completion Group's cash in bank to at least HK\$600 million which will be used for further expansion of the Post-Completion Group's property portfolio and as working capital of the Post-Completion Group; and (iii) pay to the Shareholders in the form of the Special Cash Dividend.

(i) *The Acquisition and the repayment of the Castro Global Loans and the Bank Borrowings*

London PropCo holds directly the entire interest in Cypress Dynasty which holds the London Property originally held for sale. The London Property is a 4-storey building offering approximately 34,000 square feet of grade A office and retail space at 5, 6 and 7 Vere Street and 10 Chapel Place,

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London, England, a prime central London business location. Upon Acquisition Completion, the London Property will be held for leasing by the Post-Completion Group. The London Property yields a gross rental income of approximately GBP1.54 million (equivalent to approximately HK\$18 million) for the period since its acquisition by Cypress Dynasty in February 2015 and up to 31 October 2015.

Pursuant to the Acquisition Agreement, Sunrise Metro conditionally agreed to acquire from Castro Global the Purchase Share, representing the remaining 50% of the existing issued share capital of London PropCo from Castro Global.

Following completion of the Transactions, London PropCo and its subsidiaries will become wholly-owned subsidiaries of the Company and their assets and liabilities and profits and losses will be consolidated into the consolidated financial statements of the Company, apart from the income generated from the Group's investment in Cross-Harbour, the leasing of the London Property will become the main source of income for the Group.

London investment property market

Set out below is the information regarding United Kingdom offices' prime rent and yield in the third quarter of 2015 published by CBRE Research:

	Rental growth by Q/Q	Rental growth by Y/Y	Actual rental yields 2015	Capital value growth by Q/Q	Capital value growth by Y/Y
United Kingdom	1.0%	7.5%	5.3%	1.4%	14.5%
West End	1.7%	7.9%	4.2%	2.0%	15.0%

Source: CBRE Research

The future outlook of the office sector in the United Kingdom was based on forecasts shown in report "Central London Property Market Review" by CBRE Limited, which suggested that the London economy will expand by 3.3% per annum over the next five years. Job creation continues apace, with office-based employment in Central London expected to grow by an average of 2.0% per annum until 2020. Also, consumers are benefitting from not only low inflation, but also the strongest growth in wages for five years. This positive outlook continues to support business confidence. Over the next five years, core prime West End rents are forecast increase by an average of 6% per annum.

(ii) *Further expansion of the Post-Completion Group*

Based on the intended application of the net proceeds from the Proposed Disposal, we noted that the Post-Completion Group intends to invest in other commercial properties located in well-developed overseas markets such as the United Kingdom, the United States, Australia and Japan so as to further diversify its investment property portfolio. According to the Directors, several professional property

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agencies and real estate consultants have been contacted with a view to searching for available office, commercial and/or residential buildings with investment potential in the United Kingdom, Australia and Japan. As of the Latest Practicable Date, more than 10 of such properties in cities including London, Birmingham, Sydney and Tokyo with investment potential have been presented for the Group's consideration, however, no investment decision has yet been finalised.

We concur with the Director's view that, in light of the uncertain and challenging economic environment in Hong Kong and the risk of market correction for the property market in Hong Kong, the Proposed Disposal will enable the Group to gear up with additional cash for seeking overseas property investment opportunities in other well-developed markets such as the United Kingdom, the United States, Australia and Japan which will enable the Group to expand its overseas property portfolio, while at the same time reducing its exposure to the Hong Kong property market.

(iii) *Special Cash Dividend*

The Board has on 28 January 2016 declared the Special Cash Dividend in the amount of HK\$3.80 per Share. Payment of the Special Cash Dividend is conditional on Disposal Completion and Acquisition Completion having taken place, and Disposal Completion in turn is conditional on, inter alia, the passing of an ordinary resolution by the Independent Shareholders at the SGM on Thursday, 18 February 2016 to approve the Disposal Agreement and the transactions contemplated thereunder. Disposal Completion and Acquisition Completion are expected to take place within 14 business days following the date of the SGM. Payment of the Special Cash Dividend is expected to be made on or before Friday, 11 March 2016 to all Shareholders whose names appear in the register of members of the Company at the close of business on Thursday, 25 February 2016.

For determining entitlement to the Special Cash Dividend, the register of members and transfer books of the Company will be closed from Wednesday, 24 February 2016 to Thursday, 25 February 2016, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the Special Cash Dividend, all transfer documents and the accompanying share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 23 February 2016. The last day for trading in Shares with entitlements to the Special Cash Dividend is expected to be Friday, 19 February 2016.

The Special Cash Dividend will be paid out of the proceeds from the Proposed Disposal after taking into account the future investment and working capital needs of the Post-Completion Group.

Furthermore, in 2015, the Shares traded steadily between HK\$2.33 per Share (on 7 January 2015) and HK\$3.30 per Share (on 5 May 2015) from 1 January 2015 to 17 December 2015 (the "Relevant Period") before the publication of the Announcement. The Special Cash Dividend of HK\$3.80 per Share provided a return to Shareholders exceeding the disposal proceeds should the Shareholders had disposed their shares during the Relevant Period.

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Set out below is the historical dividend declared and paid in the last five years:

	For the year ended 31 December				
	2010	2011	2012	2013	2014
Paid-out	HK3.0 cents per Share	HK3.0 cents per Share	HK3.5 cents per Share	HK3.5 cents per Share	HK3.5 cents per Share

During the past five years, the Group had declared a dividend annually of HK3.0 cents to HK3.5 cents per Share. The Special Cash Dividend of HK\$3.80 per Share represented a pay-out of approximately 22 times more than the aggregate dividend pay-out in the last five years.

The Directors considered and we concur that, the Special Cash Dividend provides an opportunity to the Independent Shareholders to partially realize their investments in the Company while retaining their Shares to continue to participate in the Group's future expansion into the overseas property investment market.

V. Information on the Post-Completion Group

Upon completion of the Transactions and the payment of the Special Cash Dividend, the assets of the Post-Completion Group will mainly comprise (i) the London Property preliminarily valued at approximately HK\$724.2 million; (ii) approximately 41.66% of the existing share capital of Cross-Harbour with a book value of HK\$2,116.8 million as at 30 June 2015, (iii) over HK\$600 million cash in bank available for business expansion, and (iv) one Hong Kong property and three properties in Shenzhen, the PRC, valued in total of approximately HK\$27 million as at 30 June 2015. The Post-Completion Group will continue to leverage on its resources and expertise to seek out suitable investment opportunities overseas and in China and to broaden the Group's income and create value for the Shareholders.

The London Property has been generating a recurring rental income of an amount equivalent to approximately HK\$18 million for the period since its acquisition by Cypress Dynasty in February 2015 and up to 31 October 2015. The Post-Completion Group will continue to share the profits of Cross-Harbour (the Group's share of profits after taxation from Cross-Harbour for the year ended 31 December 2014 being HK\$196.7 million and for the six months ended 30 June 2015 being HK\$131.3 million). The aggregate amount of dividends distributed by Cross-Harbour to and received by the Group for the year ended 31 December 2014 is approximately HK\$46 million. The Post-Completion Group currently has no intention to dispose of its interest in Cross-Harbour in the near future.

It is also expected that the Post-Completion Group will benefit from significant costs-savings and efficiency gains through streamlined operations and its operating and financing expenses and overall payroll expenditures will be reduced following completion of the Transactions as (a) all the property management and related technical consultancy staff servicing the Prestige Tower Property and the Century Square Property will remain with HK ServiceCo and (b) three Directors (being the Managing Director and the two non-executive Directors) as disclosed in the Circular are anticipated to resign after completion of the Transactions.

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VI. Possible financial effects of the Proposed Disposal on the Group

Following Disposal Completion, HK PropCo and its subsidiaries and HK ServiceCo and its subsidiaries will cease to be the subsidiaries of the Company and the assets, liabilities and financial results of HK PropCo Group and HK ServiceCo Group will no longer be consolidated into the consolidated financial statements of the Company.

(a) *Earnings*

According to the unaudited pro forma consolidated statement of profit and loss the Post-Completion Group as contained in Appendix III to the Circular, the Group would have recorded an increase in profit attributable to equity holders of the Company from approximately HK\$482.3 million to approximately HK\$841.1 million, had the Proposed Disposal been completed on 1 January 2014. Included therein is an estimated pro forma gain of approximately HK\$635.7 million as a result of the Proposed Disposal. Such estimated pro forma gain from the Proposed Disposal of approximately HK\$635.7 million was estimated with reference to (i) the estimated net proceeds of approximately HK\$4,016.4 million (being the estimated Disposal Consideration less estimated relevant professional fees and other expenses directly attributable to the Proposed Disposal); (ii) the assignment of the HK PropCo Sale Loan and the HK ServiceCo Sale Loan; (iii) the adjusted aggregate net assets of the HK PropCo Group and the HK ServiceCo Group as at 1 January 2014 of approximately HK\$2,778.9 million and (iv) the Directors estimated that no material tax expenses are directly attributable to the Proposed Disposal.

Please also refer to note 11 of Appendix III to the Circular for further calculation regarding the pro forma gain on the Proposed Disposal when taking into account the aggregate net assets of the HK PropCo Group and the HK ServiceCo Group as at 31 October 2015 which amounted to HK\$120.0 million.

Given that consideration paid for the shares of HK PropCo and the HK PropCo Sale Loan will need to be adjusted based on the Disposal Completion Accounts, it should be noted that the actual gain on the Proposed Disposal to be recognised by the Group can only be determined at Disposal Completion and may be different from the above figure subject to the carrying amount of the assets and liabilities of the HK PropCo Group and the HK ServiceCo Group on the date of Disposal Completion.

Upon completion of the Transactions, earnings from the Prestige Tower Property and the Century Square Property will no longer be consolidated in the consolidated financial statements of the Post-Completion Group, and the Post-Completion Group's earnings will primarily be derived from (i) rental income generated by operating the London Property; and (ii) share of profits from Cross-Harbour.

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(b) *Net asset value and gearing*

It is expected that the pro forma net asset value of the Group will be inevitably shrunk rather significantly, despite the enhancement by the estimated pro forma gain on the Proposed Disposal upon Disposal Completion as discussed in paragraph (a) above. Nonetheless, according to the unaudited pro forma consolidated statement of financial position of the Post-Completion Group as contained in Appendix III to the Circular, the Post-Completion Group would contain a much higher level of liquid assets in its pro forma net asset value of approximately HK\$3,486.9 million, primarily represented by the pro forma cash balance of approximately HK\$627.1 million. The decrease in the Group's net asset value attributable to equity holders of the Company from HK\$6,391.0 million to the pro forma net asset value of approximately HK\$3,486.9 million is primarily as a result of the distribution of the Special Cash Dividend of approximately HK\$3,038.3 million.

In respect of gearing, as all bank loan in respect of the Proposed Disposal will be fully repaid prior to Disposal Completion, as such pursuant to the unaudited pro forma consolidated statement of financial position of the Post-Completion Group as contained in Appendix III to the Circular, the gearing of Post-Completion Group will improve accordingly.

(c) *Cashflow/working capital position*

As advised by the Directors, it is expected that cash and bank balances of the Group would be increased by the estimated net proceeds from the Proposed Disposal and offset by the payment of the Special Cash Dividend and as a result, the liquidity and working capital position of the Group would be enhanced accordingly.

Upon completion of the Transactions, the Post-Completion Group will no longer enjoy cashflow derived from the rental income of the Prestige Tower Property and the Century Square Property and the Post-Completion Group's cashflow will primarily be derived from (i) rental income generated by operating the London Property; and (ii) dividend received from Cross-Harbour.

It should be noted that the aforementioned analyses are for illustration purposes only and do not purport to represent how the financial position of the Group will be upon Disposal Completion.

As discussed with the Directors, taking into account that: (i) in light of the uncertain and challenging economic environment in Hong Kong and the risk of market correction for the Hong Kong property market, the Group wish to reduce its exposure in the Hong Kong property market; (ii) the Group will have immediate cash inflow through the Proposed Disposal while it would take much longer time for the Group to generate similar amount of cash inflow by leasing out the Disposal Properties (based on the rental income from its tenants); (iii) the cash proceeds readily available from the Proposed Disposal can be applied for the Group to (a) fund the Acquisition Consideration and the repayment of the Castro Global Loans and the Bank Borrowings and (b) as general working capital, if suitable opportunity arises, to expand its overseas properties portfolio; and (iv) the payment of Special Cash Dividend, the Directors consider, which we concur with, that it would be in the better interests of the Company and the Shareholders as a whole to dispose of the Disposal Properties through the Proposed Disposal.

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RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider the Disposal Agreement is on normal commercial terms and entered into in the ordinary and usual course of business of the Group. We further consider that the terms of the Proposed Disposal are fair and reasonable to the Independent Shareholders and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Proposed Disposal and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited

Derek Chan
Chairman

April Chan
Director

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Company, together with the accompanying notes, for each of the three years ended 31 December 2012, 2013 and 2014 and the unaudited consolidated interim financial information of the Group for the six months ended 30 June 2015 are disclosed in the annual reports of the Company for the financial years ended 31 December 2012 (pages 33-89), 31 December 2013 (pages 32-91), and 31 December 2014 (pages 34-91), and the interim report of the Company for the six months ended 30 June 2015 (pages 11-33), respectively, and are incorporated by reference into this circular.

The said annual reports and interim report of the Company are available on the Company's website at www.ytrealtygroup.com.hk and website of the Stock Exchange at www.hkexnews.hk through the links below:

Annual report for the year ended 31 December 2012:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0415/LTN20130415490.pdf>

Annual report for the year ended 31 December 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0415/LTN20140415389.pdf>

Annual report for the year ended 31 December 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0416/LTN20150416334.pdf>

Interim report for the six months ended 30 June 2015

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0910/LTN20150910258.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 December 2015, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to printing of this circular, the Group had total outstanding borrowings of approximately HK\$81,600,000 which were secured bank borrowings. The secured bank borrowings were secured by the Group's investment properties with carrying value of approximately HK\$4,050,616,000 together with assignment of rental income, and pledge of issued shares of certain subsidiaries.

As at 31 December 2015, the Group had contingent liabilities / financial guarantees being the guarantee given in favour of the bank with respect to banking facilities made available to its joint venture in the amount of approximately HK\$239,500,000.

Save as aforesaid, and apart from the intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 December 2015, the Group did not have any other debt securities (issued and outstanding, authorised or otherwise created but unissued), term loans (guaranteed, unguaranteed, secured and unsecured), any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or finance lease commitments, mortgages, charges, material contingent liabilities, guarantees, debentures, loans or similar indebtedness.

All material indebtedness of London PropCo, including the liabilities under the Castro Global Loans and the Bank Borrowings and the associated mortgages and securities over the London Property, will be fully repaid and discharged following Acquisition Completion. As at the close of business on 31 December 2015, the Castro Global Loans amounted to approximately HK\$120 million and the Bank Borrowings amounted to approximately GBP40.4 million (equivalent to approximately HK\$471.4 million).

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, taking into account its existing cash and bank balances and other internal resources available, the Group (including the London PropCo Group which will become subsidiaries of the Company following Acquisition Completion) will have sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstance.

4. FINANCIAL AND TRADING PROSPECTS OF THE POST-COMPLETION GROUP

The core business of the Post-Completion Group is property investment, property trading, and investment holding.

The year of 2016 is expected to be challenging as uncertainty and volatility will continue to affect the overall economy both in the local and the overseas markets. Slackened economic growth and the continuing falling petroleum and commodity prices have already weakened market confidence. The trend of interest rate hike has begun in the United States and it will inevitably have negative impacts on the global economy and the property markets. In addition, recent volatile financial and stock market in the Mainland together with the decline in key economic indicators further caused expectations that attaining a sustainable economic recovery may continue to be difficult.

The Post-Completion Group will continue to look for property investment opportunities in the overseas markets in addition to the London Property, adopting a prudent approach in such volatile market conditions. The Post-Completion Group will strive to preserve and enhance value for the Shareholders on a long-term and sustainable basis.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE POST-COMPLETION GROUP

The following discussion should be read in conjunction with the financial information of the Group and the historical financial information included in this circular. The financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards.

The management discussion and analysis of the Post-Completion Group for each of the years ended 31 December 2012, 2013, 2014 and the 6-month period ended 30 June 2015 is set out below, as prepared and should be read based on the circumstances in which the HK PropCo Group and HK ServiceCo Group had ceased to be subsidiaries of the Company, and the Company no longer had any interest in the HK PropCo Group and the HK ServiceCo Group. The financial information of the London PropCo Group has been reflected only in the 6-month period ended 30 June 2015.

(a) *For the six months ended 30 June 2015*

Business review

The Post-Completion Group's net profit attributable to Shareholders for the first six months of 2015 amounted to HK\$136.0 million which was 24.2% higher than the results of the corresponding period of 2014. Earnings per share for the first six-month period of 2015 amounted to HK17.0 cents (2014: HK13.7 cents).

The first half of 2015 witnessed great magnitude of market volatility in global economy. The Greek debt crisis caused wide spread of uncertainties in European markets which attributed largely to prolong weak Euro. Although the crisis is temporarily settled, major economic reforms in Greece and various European markets are still needed to be implemented in order to ensure longer term of stability.

The US market also experienced uneven expansion paths with different economic indicators shown mixed results. Worry of pending interest rate hike was a key factor for the economy to be in such doldrums.

As with China, the economic growth of around 7% was successfully defended but the downward pressure was mounting. Stock market went through sharp correction at end of second quarter and market confidence has yet been fully restored despite strong administrative interference.

On the local front, it was inevitable to observe some ripples in our financial market caused by sharp correction of stock market in the Mainland. Thanks to strong labour market, buoyant development of property sectors and robust tourism, our local economy was maintained at stable condition.

The Post-Completion Group's share of profit after taxation from the associated company, Cross-Harbour, for the period was HK\$131.3 million (2014: HK\$99.9 million), increased by 31.5% from last period.

Financing and liquidity

As at 30 June 2015, the Post-Completion Group's cash and cash equivalents was HK\$320.9 million. The gearing ratio was zero as the Post-Completion Group did not have bank borrowings. With available cash, and recurring rental income from the London Property, the Post-Completion Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

As the Post-Completion Group's rental income from the London Property is denominated in GBP, it is subject to foreign exchange rate fluctuation. The cash and cash equivalents is mainly denominated in Hong Kong dollars and therefore the exposure to foreign exchange rate fluctuations is not significant.

Prospect and strategies

In the second half of 2015, the Post-Completion Group expects uncertainty and volatility will continue to cloud the market. Impending interest rate hike by US Federal Reserve, weak Euro and falling petroleum and bullion price will pose threats to market confidence and slacken economic growth. Recent unstable financial and stock market in the Mainland coupled with declining overall retail sales add worries that it will need a longer than expected period for a sustainable economy to be fully developed for the global markets.

Despite all these challenges, there are opportunities. Central Government in the Mainland has recently mapped out the Silk Road Economic Belt and 21st Century Maritime Silk Road to boost ties and economic co-operation with many neighboring countries. Hong Kong being in the forefront of the Mainland's economic development in the past decades is well positioned for these enormous new trading and commerce opportunities. On the financial development side, Hong Kong is the largest off-shore Renminbi clearing centre. With the impending opening of cross-border investment between Hong Kong and Shenzhen stock markets, in addition to Shanghai, Hong Kong's position as an international financial centre which is one of our key economic pillars will further be strengthened.

The Post-Completion Group will continue to look for investment opportunities in well-developed overseas property markets. Maintaining a solid financial position for the Post-Completion Group is its prime objective to weather against the volatility and uncertainty of the road ahead.

Contingent liabilities

As at 30 June 2015, the Post-Completion Group did not have contingent liabilities.

(b) For the year ended 31 December 2014*Business review*

The Post-Completion Group's net profit attributable to Shareholders for the year was HK\$202.9 million as compared to the net profit of HK\$197.2 million in 2013, representing a 2.9% increase.

The Post-Completion Group's share of profit after taxation from the associated company, Cross-Harbour, for the year was HK\$196.7 million (2013: HK\$183.4 million), an increase of 7.3% from last year.

2014 can be described as a year full of challenges for Hong Kong. Anti-corruption and anti-opulence measures continued to be intensified by the Chinese Central Government and these austerity policies inevitably caused serious effect on the luxury retail sales. Coupled with major political issue at last quarter of the year in Hong Kong, normal course of business for many sectors was disrupted in many parts of Hong Kong for over two months. These adversities fortunately were largely cushioned off by satisfactory employment situation and strong sales of new flats as well as exceptional performance in construction and related industries.

On the global perspective, it was also a mixed year in 2014. The plummeting oil price and sharp deflation of Euro and Pound Sterling caused unease to many in the world financial market. The stable recovery of economy in the United States for which rise in interest rate looked so imminent and poised a sharp contrast to many eurozone countries which were and still are under deflation threats. This triggered the European Central Bank's quantitative easing programmes at last quarter of the year to boost the economy and stimulate spendings. Interest rise in these areas will hence be quite remote in the short term.

Financing and liquidity

As at 31 December 2014, the Post-Completion Group's cash and cash equivalents was HK\$380.6 million. The gearing ratio was zero as the Post-Completion Group did not have bank borrowings. With available cash, the Post-Completion Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

Since the cash and cash equivalents is mainly denominated in Hong Kong dollars, the exposure to foreign exchange rate fluctuations is not significant.

Prospect and strategies

For the coming 2015, the Post-Completion Group is cautiously optimistic about the overall economic development of Hong Kong. Despite some market volatilities, the global economy on the whole will be expected to continue its recovery at steady pace. Economic situation in many leading markets will continue to be improved at varying degree as there could be some who may struggle harder than the others to rekindle its economic growth, such as Greece in Europe. In the Mainland which Hong Kong relies upon heavily will be expected to continue its market consolidation and correction in the coming year. Anti-graft and anti-opulence policies may slow down extravagant consumption, but the rising of middle class by sheer volume will have great potential of compensating the gap in high end retail sales. After all, with population of over 1.3 billion, an annual gross domestic product growth of over seven percent is not a figure to be taken lightly. Locally in Hong Kong, thanks to huge amount of tourist and massive housing and infrastructure investments, coupled with strong employment situation and active financial market, stable economic progress could be maintained without too much challenge. That said, continual political disputes and escalating manpower costs plus inflation threat may easily choke our growth engine. Contrary to most market analysts' prediction, correction of property market in any sectors did not really happen in the past year and such phenomenon will likely to recur in 2015.

In a rather uncertain and challenging market in the coming year, the Post-Completion Group will not lose sight on investment opportunity to expand its balance sheet and to improve the sustainable return for Shareholders. When exploring suitable business expansion and investment opportunities, the Post-Completion Group will adopt a prudent and cautious approach but not confine its search to just Hong Kong whose market may be relatively limited. The Post-Completion Group will endeavor to capture good investment opportunity to expand its property portfolio and tap into a well-developed property market outside of Hong Kong.

Contingent liabilities

As at 31 December 2014, the Post-Completion Group did not have contingent liabilities.

*(c) For the year ended 31 December 2013**Business review*

The Post-Completion Group's net profit attributable to Shareholders for the year was HK\$197.2 million as compared to the net profit of HK\$173.9 million in 2012, representing a 13.4% increase from 2012.

The Post-Completion Group's share of profit after taxation from the associated company, Cross-Harbour, for the year was HK\$183.4 million (2012: HK\$168.2 million), an increase of 9.0% from last year.

During the financial year under review, the global economy had made steady strides along its recovery path, albeit on a somewhat bumpy surface. United States and Euro zone markets were stabilised and investment sentiment continued to improve though financial sector was somehow clouded by United States Federal Reserve's gradual winding down of Quantitative Easing Programmes resulting in relatively tighter liquidity in certain developing economies. In the Mainland which Hong Kong depends heavily upon, many social and economic aspects continued to decelerate modestly in economic expansion last year after several years of rapid growth previously. Coupled with the austerity measures imposed by the Central Government, there was mounting pressure on market adjustment, particularly luxury housing and high-end lifestyle consumer items. Locally in Hong Kong, punitive tax measures on property investment began to filter through the economic cycle and created a knock-on effect on other property related industries such as real estate brokerage, legal and accountancy services, etc. Fortunately, this negative factor was largely cushioned off by the continual influx of tourists, mainly from the Mainland as well as massive infrastructure and housing project investments both public and private, thereby ensuring the economic engine to revive stably.

Financing and liquidity

As at 31 December 2013, the Post-Completion Group's cash and cash equivalents was HK\$250.1 million. The gearing ratio was zero as the Post-Completion Group did not have bank borrowings. With available cash, the Post-Completion Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

Since the cash and cash equivalents is mainly denominated in Hong Kong dollars, the exposure to foreign exchange rate fluctuations is not significant.

Prospects and strategies

For the coming 2014, the Post-Completion Group is cautiously optimistic about the overall economic development of Hong Kong. The global economy is expected to continue its recovery at steady pace notwithstanding tapering in bond-buying programme by the Federal Reserve of the United States. Economic activities and employment environment in many key markets will continue to be improved. In the Mainland which currently is the second largest economic entity, it is expected to undergo continual consolidation and correction in 2014. Locally in Hong Kong, thanks to rapid tourist growth and massive housing and infrastructure investments, coupled with strong Renminbi off-shore clearings, healthy progress is projected on our economic development though shortage of labour and hence rising costs inevitably will be a stumbling block. Unlike in the past few years, fast growth and high profit operating results may not reoccur easily for most businesses. Correction of property market for virtually all sectors on the other hand will create inevitable downward adjustment pressure on the asset value, in terms of price and rental rate. This is one of the major negative factors which should not be underestimated as any over-adjustment of property value may easily cause panic in the market and a vicious economic cycle will be formed to hit many owners and mortgagees alike.

The underlying objectives of the Post-Completion Group are to preserve and enhance value for the Shareholders on a long-term and sustainable basis. To achieve this, we will strive to look for opportunities to acquire suitable properties to enhance our existing portfolio.

In addition to its property investment business, the Post-Completion Group will also look into other property development opportunities to broaden its asset base and balance sheet. In doing so, the Post-Completion Group will be very prudent and selective and will have strict investment criteria for quality projects in prime locations only. The Post-Completion Group is confident that its strategies and dedicated efforts will continue to add values to the Shareholders over the years to come.

Contingent liabilities

As at 31 December 2013, the Post-Completion Group did not have contingent liabilities.

(d) For the year ended 31 December 2012*Business review*

The Post-Completion Group's net profit attributable to Shareholders for the year was HK\$173.9 million as compared to the net profit of HK\$47.7 million in 2011, representing a 264.1% increase from 2011. Significant increase in share of profit from Cross-Harbour is the key factor in the substantial increase in the Post-Completion Group's net profit.

The Post-Completion Group's share of profit after taxation from the associated company, Cross-Harbour, for the year was HK\$168.2 million (2011: HK\$101.7 million), a significant increase of 65.4% from last year.

During the financial year under review, the Post-Completion Group experienced persistent global market uncertainties, predominantly in the finance and banking sectors. The economic growth in the Mainland which Hong Kong depends upon heavily in many respects decelerated last year, fortunately not at a fast pace. This somehow inevitably created a knock-on effect on the local retail transaction volume, with notable slow-down of year-on-year growth in sales for the luxurious sectors as compared with the previous year.

On the office sector, acceleration of decentralisation contributed largely to the braking of escalating office rents in core commercial districts last year. With improved transport linkage and advancement in telecommunication, opportunities and attractions for high quality office tenements are abundant in fringe areas but only at fraction of rental costs of core business districts. Residential sector, on the other hand, did not perform well either, at least from the point of view of transaction volume due to government's cooling measures involving additional stamp duty for non-resident buyers.

The entire property sector at large was in the stage of consolidation with perhaps the exception of investment sales for retail properties which have not been interfered in any form by the government and hence attracted a lot of surplus funds in the market.

Financing and liquidity

As at 31 December 2012, the Post-Completion Group's cash and cash equivalents was HK\$138.8 million. The gearing ratio was zero as the Post-Completion Group did not have bank borrowings. With available cash, the Post-Completion Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

Since the cash and cash equivalents is mainly denominated in Hong Kong dollars, the exposure to foreign exchange rate fluctuations is not significant.

Prospects and strategies

For the coming 2013, the Post-Completion Group is rather cautious about the overall economic development of Hong Kong. Whilst the Post-Completion Group expects the uncertainty of global financial market will gradually become clearer and economic recovery will make steady progress following the completion of election of leaders in various major economic countries including the Mainland and the United States, there is however a growing concern that local market particularly the property sector will continue to encounter more administrative interference following the new round of government's property related cooling-off measures announced in this February. The degree of such interference is not yet clear and the associated impact therefore cannot be assessed accurately. Though the fundamentals of Hong Kong remain solid, in view of such possible uncertainty, the Post-Completion Group will still be very cautious in making substantial investment decisions in the coming year.

The primary business objectives of the Post-Completion Group are to preserve and generate value for the Shareholders on a long-term and sustainable basis. To achieve these objectives, the Post-Completion Group's management team and staff are very dedicated and its strategies are clear and well-executed.

In addition to the property business, the Post-Completion Group will also look into other investment opportunities which will add long-term value. In doing so, the Post-Completion Group will be very prudent and will have strict investment criteria, which include long-term sustainability of business, recurring revenue, and healthy cash flow, etc. The Post-Completion Group's interest in substantial non-property investment holding in Cross-Harbour which has contributed steady results and cash flow to the Post-Completion Group since acquisition is such classic example.

The Post-Completion Group is confident that the strategies and dedicated efforts will continue to deliver values to the Shareholders over the years to come.

Contingent liabilities

As at 31 December 2012, the Post-Completion Group did not have contingent liabilities.

APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP AND THE HK SERVICECO GROUP

UNAUDITED FINANCIAL INFORMATION OF THE HK PROPCO GROUP AND THE HK SERVICECO GROUP

Set out below are the unaudited consolidated statements of financial position of the HK PropCo Group and the HK ServiceCo Group as at 31 December 2012, 2013 and 2014 and 31 October 2015, and the unaudited consolidated statements of profit or loss and other comprehensive income, the unaudited consolidated statements of changes in equity and the unaudited consolidated statements of cash flows of the HK PropCo Group and the HK ServiceCo Group for each of the years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015 and explanatory notes (the “Unaudited Financial Information”).

The Unaudited Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules and the basis of preparation as set out in note 2 of Sections A and B in this appendix to the Unaudited Financial Information.

The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Proposed Disposal. The Company’s reporting accountants, Ernst & Young, were engaged to review the financial information of the HK PropCo Group and the HK ServiceCo Group as set out on pages II-2 to II-13 in accordance with Hong Kong Standard on Review Engagements 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 Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion. Based on the review, nothing has come to the reporting accountants’ attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 of Sections A and B in this appendix to the Unaudited Financial Information.

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

A. FINANCIAL INFORMATION OF THE HK PROPCO GROUP

**UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME — THE HK PROPCO GROUP**

Years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015

	Unaudited				
	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	173,356	192,154	202,642	168,480	173,931
Direct outgoings	<u>(7,450)</u>	<u>(5,371)</u>	<u>(5,681)</u>	<u>(4,663)</u>	<u>(4,335)</u>
	165,906	186,783	196,961	163,817	169,596
Other income and other net losses	1,023	327	405	314	513
Administrative expenses	(38,467)	(42,584)	(47,346)	(39,797)	(38,511)
Finance costs	(5,109)	(3,847)	(3,167)	(2,698)	(2,400)
Changes in fair value of investment properties	<u>195,419</u>	<u>272,564</u>	<u>152,811</u>	<u>132,823</u>	<u>112,456</u>
PROFIT BEFORE TAX	318,772	413,243	299,664	254,459	241,654
Income tax expense	<u>(20,334)</u>	<u>(23,204)</u>	<u>(24,203)</u>	<u>(20,041)</u>	<u>(21,249)</u>
PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>298,438</u>	<u>390,039</u>	<u>275,461</u>	<u>234,418</u>	<u>220,405</u>

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION — THE HK PROPCO GROUP

31 December 2012, 2013 and 2014 and 31 October 2015

	Unaudited			As at
	As at 31 December			31 October
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS				
Investment properties	3,522,100	3,796,400	3,947,800	4,050,616
Amounts due from the Post-Completion Group	<u>—</u>	<u>22,088</u>	<u>153,862</u>	<u>—</u>
Total non-current assets	<u>3,522,100</u>	<u>3,818,488</u>	<u>4,101,662</u>	<u>4,050,616</u>
CURRENT ASSETS				
Trade receivables	779	57	496	362
Other receivables, deposits and prepayments	10,479	7,567	5,584	3,908
Cash and cash equivalents	<u>10</u>	<u>10</u>	<u>10</u>	<u>14</u>
Total current assets	<u>11,268</u>	<u>7,634</u>	<u>6,090</u>	<u>4,284</u>
CURRENT LIABILITIES				
Other payables and accrued expenses	48,481	51,574	55,523	75,626
Tax payable	<u>4,172</u>	<u>2,833</u>	<u>1,032</u>	<u>2,753</u>
Total current liabilities	<u>52,653</u>	<u>54,407</u>	<u>56,555</u>	<u>78,379</u>
NET CURRENT LIABILITIES	<u>(41,385)</u>	<u>(46,773)</u>	<u>(50,465)</u>	<u>(74,095)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,480,715</u>	<u>3,771,715</u>	<u>4,051,197</u>	<u>3,976,521</u>
NON-CURRENT LIABILITIES				
Amounts due to the Post-Completion Group	103,092	—	—	601,522
Deferred tax liabilities	<u>69,550</u>	<u>73,603</u>	<u>77,624</u>	<u>81,021</u>
Total non-current liabilities	<u>172,642</u>	<u>73,603</u>	<u>77,624</u>	<u>682,543</u>
Net assets	<u>3,308,073</u>	<u>3,698,112</u>	<u>3,973,573</u>	<u>3,293,978</u>
EQUITY				
Equity attributable to shareholders of HK PropCo				
Share capital	2	2	2	2
Reserves	<u>3,308,071</u>	<u>3,698,110</u>	<u>3,973,571</u>	<u>3,293,976</u>
Total equity	<u>3,308,073</u>	<u>3,698,112</u>	<u>3,973,573</u>	<u>3,293,978</u>

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY — THE HK PROPCO GROUP

Years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015

	Unaudited			
	Attributable to shareholders of HK PropCo			
	Share	premium	Retained	Total
	capital	account	profits	equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2012	2	530,000	2,479,633	3,009,635
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>298,438</u>	<u>298,438</u>
At 31 December 2012 and 1 January 2013	2	530,000	2,778,071	3,308,073
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>390,039</u>	<u>390,039</u>
At 31 December 2013 and 1 January 2014	2	530,000	3,168,110	3,698,112
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>275,461</u>	<u>275,461</u>
At 31 December 2014 and 1 January 2015	2	530,000	3,443,571	3,973,573
Profit for the period and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>220,405</u>	<u>220,405</u>
2015 interim dividend	<u>—</u>	<u>—</u>	<u>(900,000)</u>	<u>(900,000)</u>
At 31 October 2015	<u><u>2</u></u>	<u><u>530,000</u></u>	<u><u>2,763,976</u></u>	<u><u>3,293,978</u></u>
At 1 January 2014	2	530,000	3,168,110	3,698,112
Profit for the period and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>234,418</u>	<u>234,418</u>
At 31 October 2014	<u><u>2</u></u>	<u><u>530,000</u></u>	<u><u>3,402,528</u></u>	<u><u>3,932,530</u></u>

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS — THE HK PROPCO GROUP

Years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015

	Unaudited				
	Year ended 31 December			Ten months ended	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	318,772	413,243	299,664	254,459	241,654
Adjustments for:					
Interest income	(1)	(1)	(1)	—	—
Changes in fair value of investment properties	(195,419)	(272,564)	(152,811)	(132,823)	(112,456)
Gain on disposal of an investment property	—	—	(94)	(94)	—
Gain on disposal of subsidiaries	—	—	—	—	(170)
Interest paid	<u>5,097</u>	<u>3,835</u>	<u>3,155</u>	<u>2,688</u>	<u>2,390</u>
	128,449	144,513	149,913	124,230	131,418
Decrease/(increase) in trade receivables	165	722	(439)	(1,418)	134
Decrease in other receivables, deposits and prepayments	2,224	2,912	1,983	1,355	1,607
Increase/(decrease) in other payables and accrued expenses	<u>(110)</u>	<u>3,093</u>	<u>3,949</u>	<u>9,463</u>	<u>20,117</u>
Net cash generated from operations	130,728	151,240	155,406	133,630	153,276
Interest paid	(5,097)	(3,835)	(3,155)	(2,688)	(2,390)
Hong Kong profits tax paid	<u>(14,014)</u>	<u>(20,490)</u>	<u>(21,983)</u>	<u>(17,188)</u>	<u>(16,131)</u>
Net cash flows from operating activities	<u>111,617</u>	<u>126,915</u>	<u>130,268</u>	<u>113,754</u>	<u>134,755</u>

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

	Unaudited				
	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	<u>111,617</u>	<u>126,915</u>	<u>130,268</u>	<u>113,754</u>	<u>134,755</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1	1	1	—	—
Renovation of investment properties	(1,881)	(1,736)	(2,489)	(2,477)	(3,360)
Proceeds from disposal of an investment property	—	—	3,994	3,994	—
Advances to the Post-Completion Group	<u>—</u>	<u>(22,088)</u>	<u>(131,774)</u>	<u>(115,271)</u>	<u>(131,391)</u>
Net cash flows used in investing activities	<u>(1,880)</u>	<u>(23,823)</u>	<u>(130,268)</u>	<u>(113,754)</u>	<u>(134,751)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment to the Post-Completion Group	<u>(109,736)</u>	<u>(103,092)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash flows used in financing activities	<u>(109,736)</u>	<u>(103,092)</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
	1	—	—	—	4
Cash and cash equivalents at beginning of year/period	<u>9</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u><u>10</u></u>	<u><u>10</u></u>	<u><u>10</u></u>	<u><u>10</u></u>	<u><u>14</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	<u><u>10</u></u>	<u><u>10</u></u>	<u><u>10</u></u>	<u><u>10</u></u>	<u><u>14</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP AND THE HK SERVICECO GROUP

NOTES TO THE UNAUDITED FINANCIAL INFORMATION — THE HK PROPCO GROUP

Years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015

1. GENERAL

HK PropCo is a limited liability company incorporated in the British Virgin Islands. The HK PropCo Group is principally engaged in property investment in Hong Kong.

On 17 December 2015, YT Investment, the immediate holding company of HK PropCo, entered into the Disposal Agreement for the disposal of the entire share capital of HK PropCo and HK ServiceCo and the assignment of the shareholders' loans owned and repayable by the HK PropCo Group and the HK ServiceCo Group to YT Investment.

2. BASIS OF PREPARATION AND PRESENTATION OF THE UNAUDITED FINANCIAL INFORMATION

The Unaudited Financial Information of the HK PropCo Group for the years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015 has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules, and solely for the purposes of inclusion in the circular issued by the Company in connection with the Proposed Disposal.

The amounts included in the Unaudited Financial Information of the HK PropCo Group 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, which conform with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. The Unaudited Financial Information of the HK PropCo Group has been prepared under the historical cost convention, except for investment properties which have been measured at fair value, and is presented in Hong Kong dollar. All values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The Unaudited Financial Information of the HK PropCo Group 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* nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA.

The unaudited consolidated statement of profit or loss of the HK PropCo Group for the years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2014 included the results of those subsidiaries which have been transferred by the HK PropCo Group to the Post-Completion Group in October 2015.

Going concern

As at 31 October 2015, the current liabilities of the HK PropCo Group exceeded the current assets by approximately HK\$74,095,000. The Company has undertaken to provide continuing financial support in order to maintain the HK PropCo Group as a going concern. Accordingly, the Unaudited Financial Information of the HK PropCo Group has been prepared on the going concern basis.

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

B. FINANCIAL INFORMATION OF THE HK SERVICECO GROUP

**UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME — THE HK SERVICECO GROUP**

Years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015

	Unaudited				
	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	9,916	8,612	9,184	7,612	7,271
Direct outgoings	<u>(2,658)</u>	<u>(1,391)</u>	<u>(1,240)</u>	<u>(998)</u>	<u>(757)</u>
	7,258	7,221	7,944	6,614	6,514
Other income and other net losses	82	42	124	121	19
Administrative expenses	(2,936)	(2,850)	(3,076)	(2,565)	(2,513)
Finance costs	<u>(2)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>
PROFIT BEFORE TAX	4,402	4,410	4,989	4,167	4,017
Income tax expense	<u>(707)</u>	<u>(727)</u>	<u>(801)</u>	<u>(666)</u>	<u>(649)</u>
PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>3,695</u>	<u>3,683</u>	<u>4,188</u>	<u>3,501</u>	<u>3,368</u>

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION — THE HK SERVICECO GROUP

31 December 2012, 2013 and 2014 and 31 October 2015

	Unaudited			As at
	As at 31 December			31 October
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	7	19	24
Amounts due from the Post-Completion Group	<u>30,502</u>	<u>34,047</u>	<u>38,621</u>	<u>—</u>
Total non-current assets	<u>30,515</u>	<u>34,054</u>	<u>38,640</u>	<u>24</u>
CURRENT ASSETS				
Trade receivables	656	383	223	417
Other receivables, deposits and prepayments	15	38	11	525
Cash and cash equivalents	<u>79</u>	<u>81</u>	<u>97</u>	<u>154</u>
Total current assets	<u>750</u>	<u>502</u>	<u>331</u>	<u>1,096</u>
CURRENT LIABILITIES				
Other payables and accrued expenses	608	261	438	166
Tax payable	<u>66</u>	<u>22</u>	<u>70</u>	<u>63</u>
Total current liabilities	<u>674</u>	<u>283</u>	<u>508</u>	<u>229</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>76</u>	<u>219</u>	<u>(177)</u>	<u>867</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
	<u>30,591</u>	<u>34,273</u>	<u>38,463</u>	<u>891</u>
NON-CURRENT LIABILITIES				
Amounts due to the Post-Completion Group	—	—	—	260
Deferred tax liabilities	<u>2</u>	<u>1</u>	<u>3</u>	<u>3</u>
Total non-current liabilities	<u>2</u>	<u>1</u>	<u>3</u>	<u>263</u>
Net assets	<u>30,589</u>	<u>34,272</u>	<u>38,460</u>	<u>628</u>
EQUITY				
Equity attributable to shareholders of HK ServiceCo				
Share capital	—	—	—	—
Retained profits	<u>30,589</u>	<u>34,272</u>	<u>38,460</u>	<u>628</u>
Total equity	<u>30,589</u>	<u>34,272</u>	<u>38,460</u>	<u>628</u>

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY — THE HK SERVICECO GROUP

Years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015

	Unaudited		
	Attributable to shareholders of		
	HK ServiceCo		
	Share capital	Retained profits	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2012	—	26,894	26,894
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>3,695</u>	<u>3,695</u>
At 31 December 2012 and 1 January 2013	—	30,589	30,589
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>3,683</u>	<u>3,683</u>
At 31 December 2013 and 1 January 2014	—	34,272	34,272
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>4,188</u>	<u>4,188</u>
At 31 December 2014 and 1 January 2015	—	38,460	38,460
Profit for the period and total comprehensive income for the period	<u>—</u>	<u>3,368</u>	<u>3,368</u>
2015 interim dividend	<u>—</u>	<u>(41,200)</u>	<u>(41,200)</u>
At 31 October 2015	<u>—</u>	<u>628</u>	<u>628</u>
At 1 January 2014	—	34,272	34,272
Profit for the period and total comprehensive income for the period	<u>—</u>	<u>3,501</u>	<u>3,501</u>
At 31 October 2014	<u>—</u>	<u>37,773</u>	<u>37,773</u>

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS — THE HK SERVICECO GROUP

Years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015

	Unaudited				
	Year ended 31 December			Ten months ended	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	4,402	4,410	4,989	4,167	4,017
Adjustment for:					
Depreciation	<u>4</u>	<u>6</u>	<u>10</u>	<u>8</u>	<u>9</u>
	4,406	4,416	4,999	4,175	4,026
Decrease/(increase) in trade receivables	46	273	160	103	(194)
Decrease/(increase) in other receivables, deposits and prepayments	(7)	(23)	27	30	(514)
Increase/(decrease) in other payables, and accrued expenses	<u>(834)</u>	<u>(347)</u>	<u>177</u>	<u>23</u>	<u>(272)</u>
Net cash generated from operations	3,611	4,319	5,363	4,331	3,046
Hong Kong profits tax paid	<u>(609)</u>	<u>(772)</u>	<u>(751)</u>	<u>(566)</u>	<u>(656)</u>
Net cash flows from operating activities	<u>3,002</u>	<u>3,547</u>	<u>4,612</u>	<u>3,765</u>	<u>2,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(9)	—	(22)	(22)	(14)
Advances to the Post-Completion Group	<u>(2,996)</u>	<u>(3,545)</u>	<u>(4,574)</u>	<u>(3,746)</u>	<u>(2,319)</u>
Net cash flows used in investing activities	<u>(3,005)</u>	<u>(3,545)</u>	<u>(4,596)</u>	<u>(3,768)</u>	<u>(2,333)</u>

**APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP
AND THE HK SERVICECO GROUP**

	Unaudited				
	Year ended 31 December			Ten months ended 31 October	
	2012	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3)	2	16	(3)	57
Cash and cash equivalents at beginning of year/period	<u>82</u>	<u>79</u>	<u>81</u>	<u>81</u>	<u>97</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	 <u><u>79</u></u>	 <u><u>81</u></u>	 <u><u>97</u></u>	 <u><u>78</u></u>	 <u><u>154</u></u>
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	<u><u>79</u></u>	<u><u>81</u></u>	<u><u>97</u></u>	<u><u>78</u></u>	<u><u>154</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE HK PROPCO GROUP AND THE HK SERVICECO GROUP

NOTES TO THE UNAUDITED FINANCIAL INFORMATION — THE HK SERVICECO GROUP

Years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015

1. GENERAL

HK ServiceCo is a limited liability company incorporated in Hong Kong. The HK ServiceCo Group is principally engaged in the provision of property management, technical and related services in Hong Kong.

On 17 December 2015, YT Investment, the immediate holding company of HK ServiceCo, entered into the Disposal Agreement for the disposal of the entire share capital of HK PropCo and HK ServiceCo and the assignment of the shareholders' loans owned and repayable by the HK PropCo Group and the HK ServiceCo Group to YT Investment.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The Unaudited Financial Information of the HK ServiceCo Group for the years ended 31 December 2012, 2013 and 2014 and ten months ended 31 October 2015 has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules, and solely for the purposes of inclusion in the circular issued by the Company in connection with the Proposed Disposal.

The amounts included in the Unaudited Financial Information of the HK ServiceCo Group 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, which conform with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. The Unaudited Financial Information of the HK ServiceCo Group has been prepared under the historical cost convention and is presented in Hong Kong dollar. All values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The Unaudited Financial Information of the HK ServiceCo Group 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* nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-COMPLETION GROUP

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-COMPLETION GROUP

Introduction

The accompanying unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of the Post-Completion Group, comprising the unaudited pro forma consolidated statement of financial position of the Post-Completion Group as at 30 June 2015, the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows of the Post-Completion Group for the year ended 31 December 2014, has been prepared by the Directors in accordance with rules 4.29 and 14.68(2)(a)(i) of the Listing Rules for the purpose of illustrating the effect of the Transactions.

The preparation of the unaudited pro forma consolidated statement of financial position of the Post-Completion Group is based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2015 extracted from the unaudited interim financial statements of the Group for the six months ended 30 June 2015 dated 27 August 2015, on which no audit or review report has been published; (ii) the unaudited consolidated statement of financial position of the HK PropCo Group and the HK ServiceCo Group as at 31 October 2015, which has been extracted from the unaudited financial information of the HK PropCo Group and the HK ServiceCo Group as set out in Appendix II to this circular; and (iii) the unaudited consolidated statement of financial position of the London PropCo Group as at 31 October 2015, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Transactions had been completed on 30 June 2015.

The preparation of the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows of the Post-Completion Group is based on (i) the audited consolidated statement of profit or loss and audited consolidated statement of cash flows of the Group for the year ended 31 December 2014 extracted from the audited annual financial statements of the Group for the year ended 31 December 2014 dated 25 March 2015, on which an audit report has been published; (ii) the unaudited consolidated statement of profit or loss and the unaudited consolidated statement of cash flows of the HK PropCo Group and the HK ServiceCo Group for the year ended 31 December 2014 which have been extracted from the unaudited financial information of the HK PropCo Group and the HK ServiceCo Group as set out in Appendix II to this circular; and (iii) the unaudited consolidated statement of profit or loss and the unaudited consolidated statement of cash flows of the London PropCo Group for the ten months ended 31 October 2015, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Transactions had been completed on 1 January 2014.

A narrative description of the pro forma adjustments of the Transactions that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE POST-COMPLETION GROUP**

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not purport to describe the results of operations, financial positions or cash flows of the Post-Completion Group had the Transactions been completed as at the respective dates to which it is made up to or at any future dates. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Post-Completion Group's future results of operations, financial positions or cash flows. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the published annual report of the Company for the year ended 31 December 2014 dated 25 March 2015, the published interim report of the Company for the six months ended 30 June 2015 dated 27 August 2015, the financial information of the HK PropCo Group and the HK ServiceCo Group as set out in Appendix II to this circular, the Company's announcement dated 17 December 2015 and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Post-Completion Group.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE POST-COMPLETION GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE
POST-COMPLETION GROUP**

	The Group for the year ended 31 December 2014							Unaudited Pro forma The Post- Completion Group for the year ended 31 December 2014
	Pro forma adjustments							HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	
REVENUE	211,826	(202,642)	(9,184)	—	—	—	18,012	18,012
Direct outgoings	(6,992)	5,681	1,240	—	—	(26)	(16)	(113)
	204,834	(196,961)	(7,944)	—	—	(26)	17,996	17,899
Other income and other net losses	2,827	(405)	(124)	635,702	—	94	135	638,229
Administrative expenses	(46,158)	47,346	3,076	—	(13,136)	(78)	(92)	(9,042)
Finance costs	(3,064)	3,167	3	—	(106)	—	—	—
Changes in fair value of investment properties	152,811	(152,811)	—	—	—	300	—	300
Share of results of an associate	196,715	—	—	—	—	—	—	196,715
PROFIT BEFORE TAX	507,965	(299,664)	(4,989)	635,702	(13,242)	290	18,039	844,101
Income tax expense	(25,712)	24,203	801	—	708	—	(3,049)	(3,049)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>482,253</u>	<u>(275,461)</u>	<u>(4,188)</u>	<u>635,702</u>	<u>(12,534)</u>	<u>290</u>	<u>14,990</u>	<u>841,052</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE POST-COMPLETION GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF
THE POST-COMPLETION GROUP**

	The Group									Unaudited
	as at									Pro forma
	30 June 2015									The Post- Completion Group as at 30 June 2015
	HK\$'000			HK\$'000			Pro forma adjustments			HK\$'000
	Note 8	Note 9	Note 10	Note 11	Note 12	Note 13	Note 14	Note 15	Note 16	HK\$'000
NON-CURRENT ASSETS										
Property, plant and equipment	522	—	(24)	—	—	—	—	—	—	498
Investment properties	4,077,000	(4,050,616)	—	—	—	724,222	—	—	—	750,606
Investment in an associate	2,116,821	—	—	—	—	—	—	—	—	2,116,821
Investment in a joint venture	113,126	—	—	—	—	(113,126)	—	—	—	—
Other investments	1,627	—	—	—	—	—	—	—	—	1,627
Total non-current assets	<u>6,309,096</u>	<u>(4,050,616)</u>	<u>(24)</u>	<u>—</u>	<u>—</u>	<u>611,096</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,869,552</u>
CURRENT ASSETS										
Trade receivables	530	(362)	(417)	—	—	—	—	—	249	—
Other receivables, deposits and prepayments	5,695	(3,908)	(525)	—	—	1,753	—	—	(249)	2,766
Dividend receivable from an associate	9,315	—	—	—	—	—	—	—	—	9,315
Cash and cash equivalents	321,008	(14)	(154)	4,020,906	(91,600)	8,700	(593,431)	(3,038,318)	—	627,097
Total current assets	<u>336,548</u>	<u>(4,284)</u>	<u>(1,096)</u>	<u>4,020,906</u>	<u>(91,600)</u>	<u>10,453</u>	<u>(593,431)</u>	<u>(3,038,318)</u>	<u>—</u>	<u>639,178</u>
CURRENT LIABILITIES										
Trade payables	952	—	—	—	—	—	—	—	(952)	—
Other payables and accrued expenses	68,486	(75,626)	(166)	4,500	—	13,067	—	—	952	11,213
Bank loans, secured	20,000	—	—	—	(20,000)	—	—	—	—	—
Loans from former joint venture partner	—	—	—	—	—	120,000	(120,000)	—	—	—
Tax payable	11,989	(2,753)	(63)	—	—	852	—	—	—	10,025
Total current liabilities	<u>101,427</u>	<u>(78,379)</u>	<u>(229)</u>	<u>4,500</u>	<u>(20,000)</u>	<u>133,919</u>	<u>(120,000)</u>	<u>—</u>	<u>—</u>	<u>21,238</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE POST-COMPLETION GROUP**

	Unaudited Pro forma The Post- Completion Group as at 30 June 2015									
The Group as at 30 June 2015	Pro forma adjustments									
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Note 8	Note 9	Note 10	Note 11	Note 12	Note 13	Note 14	Note 15	Note 16		
NET CURRENT										
ASSETS	235,121	74,095	(867)	4,016,406	(71,600)	(123,466)	(473,431)	(3,038,318)	—	617,940
TOTAL ASSETS LESS										
CURRENT										
LIABILITIES	6,544,217	(3,976,521)	(891)	4,016,406	(71,600)	487,630	(473,431)	(3,038,318)	—	3,487,492
NON-CURRENT										
LIABILITIES										
Bank loans, secured	71,600	—	—	—	(71,600)	473,431	(473,431)	—	—	—
Amounts due to the Post-Completion Group	—	(601,522)	(260)	601,782	—	—	—	—	—	—
Deferred tax liabilities	81,607	(81,021)	(3)	—	—	—	—	—	—	583
Total non-current liabilities	153,207	(682,543)	(263)	601,782	(71,600)	473,431	(473,431)	—	—	583
Net assets	6,391,010	(3,293,978)	(628)	3,414,624	—	14,199	—	(3,038,318)	—	3,486,909
EQUITY										
Equity attributable to equity holders of the Company										
Issued capital	79,956	(2)	—	2	—	—	—	—	—	79,956
Reserves	6,311,054	(3,293,976)	(628)	3,414,622	—	14,199	—	(3,038,318)	—	3,406,953
Total equity	6,391,010	(3,293,978)	(628)	3,414,624	—	14,199	—	(3,038,318)	—	3,486,909

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE POST-COMPLETION GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE
POST-COMPLETION GROUP**

	The Group for the year ended 31 December 2014												Unaudited Pro forma The Post- Completion Group for the year ended 31 December 2014
	Pro forma adjustments												
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 12	Note 14	Note 17	Note 18	Note 19	Note 20	
CASH FLOWS FROM OPERATING ACTIVITIES													
Profit before tax	507,965	(299,664)	(4,989)	631,202	(13,242)	290	—	—	—	18,039	—	—	839,601
Adjustments for:													
Share of results of an associate	(196,715)	—	—	—	—	—	—	—	—	—	—	—	(196,715)
Interest income	(3,352)	1	—	—	—	—	—	—	—	(12)	—	—	(3,363)
Changes in fair value of investment properties	(152,811)	152,811	—	—	—	(300)	—	—	—	—	—	—	(300)
Gain on disposal of an investment property	(94)	94	—	—	—	(94)	—	—	—	—	—	—	(94)
Gain on disposal of the subsidiaries	—	—	—	(635,702)	—	—	—	—	—	—	—	—	(635,702)
Depreciation	385	—	(10)	—	—	—	—	—	—	—	—	—	375
Interest on bank loans	1,513	—	—	—	—	—	—	—	—	—	—	—	1,513
Interest paid to the Post-Completion Group	—	(3,155)	—	—	—	—	—	—	—	—	—	3,155	—
Loss on disposal of an item of property, plant and equipment	95	—	—	—	—	—	—	—	—	—	—	—	95
	156,986	(149,913)	(4,999)	(4,500)	(13,242)	(104)	—	—	—	18,027	—	3,155	5,410
Decrease/(increase) in trade receivables, other receivables, deposits and prepayments	1,577	(1,544)	(187)	—	—	(20)	—	—	—	(1,753)	—	—	(1,927)
Increase/(decrease) in trade payables, other payables and accrued expenses	5,423	(3,949)	(177)	4,500	—	—	—	—	—	1,920	—	—	7,717
Net cash generated from operations	163,986	(155,406)	(5,363)	—	(13,242)	(124)	—	—	—	18,194	—	3,155	11,200
Interest paid	(1,534)	—	—	—	—	—	—	—	—	—	—	—	(1,534)
Interest paid to the Post-Completion Group	—	3,155	—	—	—	—	—	—	—	—	—	(3,155)	—
Hong Kong profits tax paid	(23,815)	21,983	751	—	1,081	—	—	—	—	—	—	—	—

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE POST-COMPLETION GROUP**

	The Group for the year ended 31 December 2014												Unaudited Pro forma The Post- Completion Group for the year ended 31 December 2014		
	Pro forma adjustments														
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 12	Note 14	Note 17	Note 18	Note 19	Note 20			
Hong Kong profits tax refunded	25	—	—	—	(25)	—	—	—	—	—	—	—	—	—	
Net cash flows from/(used in) operating activities	138,662	(130,268)	(4,612)	—	(12,186)	(124)	—	—	—	18,194	—	—	—	9,666	
CASH FLOWS FROM INVESTING ACTIVITIES															
Interest received	3,241	(1)	—	—	—	—	—	—	—	12	—	—	—	3,252	
Dividends received from an associate	46,576	—	—	—	—	—	—	—	—	—	—	—	—	46,576	
Renovation of investment properties	(2,489)	2,489	—	—	—	—	—	—	—	—	—	—	—	—	
Purchases of items of property, plant and equipment	(31)	—	22	—	—	—	—	—	—	—	—	—	—	(9)	
Purchase of London PropCo	—	—	—	—	—	—	—	—	(7,325)	—	—	—	—	(7,325)	
Advances to the Post-Completion Group	—	131,774	4,574	—	—	(3,870)	—	—	—	—	—	(132,478)	—	—	
Proceeds from disposal of an investment property	3,994	(3,994)	—	—	—	3,994	—	—	—	—	—	—	—	3,994	
Proceeds from disposal of items of property, plant and equipment	15	—	—	—	—	—	—	—	—	—	—	—	—	15	
Proceeds from disposal of subsidiaries	—	—	—	4,020,906	—	—	—	—	—	—	—	—	—	4,020,906	
Net cash flows from/(used in) investing activities	51,306	130,268	4,596	4,020,906	—	124	—	—	(7,325)	12	—	(132,478)	4,067,409		
CASH FLOWS FROM FINANCING ACTIVITIES															
Repayments of bank loans	(31,500)	—	—	—	—	—	(101,600)	(473,431)	—	—	—	—	—	(606,531)	
Repayments of loans from former joint venture partner	—	—	—	—	—	—	—	(120,000)	—	—	—	—	—	(120,000)	
Advances from the HK PropCo Group and the HK ServiceCo Group	—	—	—	—	—	—	—	—	—	—	—	132,478	132,478		
Dividends paid	(27,985)	—	—	—	—	—	—	—	—	—	(3,038,318)	—	(3,066,303)		
Net cash flows used in financing activities	(59,485)	—	—	—	—	—	(101,600)	(593,431)	—	—	(3,038,318)	132,478	(3,660,356)		

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE POST-COMPLETION GROUP**

	The Group for the year ended 31 December 2014												Unaudited Pro forma The Post- Completion Group for the year ended 31 December 2014	
	Pro forma adjustments													
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 12	Note 14	Note 17	Note 18	Note 19	Note 20		
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	130,483	—	(16)	4,020,906	(12,186)	—	(101,600)	(593,431)	(7,325)	18,206	(3,038,318)	—	416,719	
Cash and cash equivalents at beginning of year	250,234	(10)	(81)	—	—	—	—	—	—	—	—	—	250,143	
Effect of foreign exchange rate changes, net	—	—	—	—	—	—	—	—	—	(2,181)	—	—	(2,181)	
CASH AND CASH EQUIVALENTS AT END OF YEAR	380,717	(10)	(97)	4,020,906	(12,186)	—	(101,600)	(593,431)	(7,325)	16,025	(3,038,318)	—	664,681	
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS														
Cash and bank balances	10,787	(10)	(97)	4,020,906	(12,186)	—	(101,600)	(593,431)	(7,325)	16,025	(3,038,318)	—	294,751	
Non-pledged time deposits with original maturity of less than three months when acquired	369,930	—	—	—	—	—	—	—	—	—	—	—	369,930	
	380,717	(10)	(97)	4,020,906	(12,186)	—	(101,600)	(593,431)	(7,325)	16,025	(3,038,318)	—	664,681	

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE POST-COMPLETION GROUP**

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
POST-COMPLETION GROUP**

- (1) The audited consolidated statement of profit or loss and audited consolidated statement of cash flows of the Group for the year ended 31 December 2014 are extracted from the annual audited financial statements of the Group for the year ended 31 December 2014.
- (2) The adjustment reflects the exclusion of the results and cash flows of the HK PropCo Group for the year ended 31 December 2014, which is extracted from the unaudited consolidated statement of profit or loss and unaudited consolidated statement of cash flows of the HK PropCo Group for the year ended 31 December 2014, respectively, as set out in Section A of Appendix II to this circular, assuming that the Proposed Disposal had been taken place on 1 January 2014.
- (3) The adjustment reflects the exclusion of the results and cash flows of the HK ServiceCo Group for the year ended 31 December 2014, which is extracted from the unaudited consolidated statement of profit or loss and unaudited consolidated statement of cash flows of the HK ServiceCo Group for the year ended 31 December 2014, respectively, as set out in Section B of Appendix II to this circular, assuming that the Proposed Disposal had been taken place on 1 January 2014.
- (4) The adjustment reflects the pro forma gain on the Proposed Disposal, assuming that the Proposed Disposal had been completed on 1 January 2014. The pro forma gain on the Proposed Disposal is calculated as follows:

	<i>HK\$'000</i>
Cash consideration for the Proposed Disposal	4,020,906
Assignment of the shareholders' loans (<i>note 4.1</i>)	(601,782)
Adjusted aggregate net assets of the HK PropCo Group and the HK ServiceCo Group as at 1 January 2014 (<i>note 4.2</i>)	(2,778,922)
Estimated professional fees and other expenses directly attributable to the Proposed Disposal (<i>note 4.3</i>)	<u>(4,500)</u>
Pro forma gain on the Proposed Disposal (<i>note 4.4</i>)	<u><u>635,702</u></u>

This pro forma adjustment will not have any continuing effect on the consolidated statement of profit or loss of the Post-Completion Group. The actual gain on the Proposed Disposal may be different from the amount described above and would be subject to the carrying amount of the assets and liabilities of the HK PropCo Group and the HK ServiceCo Group on the date of the Disposal Completion.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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Notes:

(4.1) The amount represents the aggregate amount of the shareholders' loans owing by HK PropCo and HK ServiceCo to YT Investment as at 31 October 2015.

(4.2) Aggregate net assets of the HK PropCo Group and the HK ServiceCo Group as at 1 January 2014 are as follows:

	<i>HK\$'000</i>
Aggregate net assets of the HK PropCo Group	3,698,112
Aggregate net assets of the HK ServiceCo Group	34,272
Aggregate net assets of the companies that have been transferred by the HK PropCo Group to the Post-Completion Group prior to signing the Disposal Agreement	(12,262)
Dividends declared by HK PropCo and HK ServiceCo to YT Investment in October 2015	<u>(941,200)</u>
Adjusted aggregate net assets of the HK PropCo Group and the HK ServiceCo Group	<u><u>2,778,922</u></u>

(4.3) The estimated amount of professional fees and other expenses directly attributable to the Proposed Disposal is estimated by the Directors and it is assumed that these items have not been paid for the purposes of the unaudited pro forma consolidated statement of cash flows.

(4.4) The Directors estimate that no material tax expenses are directly attributable to the Proposed Disposal.

(5) The adjustment is to give effect to the administrative expenses and finance costs that would have related to the Post-Completion Group as estimated by the Directors after the exclusion of the results of entities under the HK PropCo Group and the HK ServiceCo Group by way of pro forma adjustments in notes (2) and (3) above, assuming that the Proposed Disposal had been completed on 1 January 2014.

(6) The adjustment represents the inclusion of the results and cash flows of the companies namely Quinway Limited and its subsidiaries, Skyfame Investments Limited, Winwide Excel Limited, Best View Investments Hong Kong Company Limited, Faser Investments Limited and Asia Dynamic Development Limited and its subsidiary during the year ended 31 December 2014 that have been transferred by the HK PropCo Group to the Post-Completion Group prior to the signing of the Disposal Agreement and have been eliminated under the pro forma adjustments in notes (2) and (3), assuming that the Proposed Disposal had been completed on 1 January 2014.

(7) Since the Group invested in the joint venture which in turn acquired the London Property in February 2015, the preparation of the unaudited pro forma consolidated statement of profit or loss is based on the unaudited financial information of the joint venture for the ten months ended 31 October 2015 for the purpose of illustrating the effect of the Acquisition on the Post-Completion Group. The Directors assume that as at 1 January 2014, the fair value of the joint venture is approximated to the cost of the Group's investment in the joint venture. As a result, the Directors estimated that no gain or loss is recognised upon the Acquisition Completion.

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The adjustment represents the recognition of the unaudited consolidated results of the London PropCo Group during the year ended 31 December 2014 based on the unaudited financial information of the London PropCo Group for the ten months ended 31 October 2015, assuming that the Acquisition had been completed on 1 January 2014 for the purpose of illustrating the effect of the Acquisition on the Post-Completion Group.

Had the London Property been acquired on 1 January 2015, the revenue and the profit of the London PropCo Group for the year would have been HK\$25,428,000 and HK\$21,213,000, respectively.

For illustrative purpose, the translation rate from British Pound Sterling to Hong Kong dollars is GBP1 to HK\$11.681.

- (8) The unaudited consolidated statement of financial position of the Group as at 30 June 2015 is extracted from the unaudited interim financial statements of the Group for the six months ended 30 June 2015 as set out in the 2015 Interim Report of the Company.
- (9) The adjustment reflects the exclusion of the assets and liabilities of the HK PropCo Group as at 31 October 2015, which is extracted from the unaudited consolidated statement of financial position of the HK PropCo Group as at 31 October 2015, as set out in Section A of Appendix II to this circular, assuming that the Proposed Disposal had been taken place on 30 June 2015.
- (10) The adjustment reflects the exclusion of the assets and liabilities of the HK ServiceCo Group as at 31 October 2015, which is extracted from the unaudited consolidated statement of financial position of the HK ServiceCo Group as at 31 October 2015, as set out in Section B of Appendix II to this circular, assuming that the Proposed Disposal had been taken place on 30 June 2015.
- (11) The adjustment reflects the pro forma gain on the Proposed Disposal, assuming that the Proposed Disposal had been completed on 30 June 2015. The pro forma gain on the Proposed Disposal is calculated as follows:

	<i>HK\$'000</i>
Cash consideration for the Proposed Disposal	4,020,906
Assignment of the shareholders' loans	(601,782)
Aggregate net assets of the HK PropCo Group and the HK ServiceCo Group as at 31 October 2015	(3,294,606)
Estimated professional fees and other expenses directly attributable to the Proposed Disposal	<u>(4,500)</u>
Pro forma gain on the Proposed Disposal (<i>note 11.1</i>)	<u><u>120,018</u></u>

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This pro forma adjustment will not have any continuing effect on the consolidated statement of profit or loss of the Post-Completion Group. The actual gain on the Proposed Disposal may be different from the amount described above and would be subject to the carrying amount of the assets and liabilities of the HK PropCo Group and the HK ServiceCo Group on the date of the Disposal Completion.

Note:

(11.1) The Directors estimate that no material tax expenses are directly attributable to the Proposed Disposal.

- (12) The adjustment represents the repayments of bank loans in relation to the Prestige Tower Property prior to the Disposal Completion.
- (13) The adjustment reflects the share of profit of the joint venture prior to the Acquisition and the impact of the acquisition of 50% interest in London PropCo, assuming that the Acquisition had been completed on 30 June 2015. Upon the completion of the Acquisition, the London PropCo Group is an indirect wholly-owned subsidiary of the Company and the Directors estimate that no goodwill or gain on bargain purchase is recognised.

For illustrative purpose, the translation rate from British Pound Sterling to Hong Kong dollars is GBP1 to HK\$11.681.

- (14) The adjustments represent the repayment of the Bank Borrowings by Cypress Dynasty on or before Acquisition Completion and repayment of the Castro Global Loans upon Acquisition Completion.

For illustrative purpose, the translation rate from British Pound Sterling to Hong Kong dollars is GBP1 to HK\$11.681.

- (15) The adjustment represents the payment of the Special Cash Dividend of HK\$3.80 per Share to all Shareholders upon the Disposal Completion and Acquisition Completion having taken place. Details of the adjustment are as follows:

Number of Shares issued and fully paid as at 30 June 2015	799,557,415
Proposed Special Cash Dividend of HK\$3.80 per Share (HK\$)	3.80
Total Special Cash Dividend (HK\$)	<u>3,038,318,177</u>

- (16) The adjustments represent the reclassification of the intra-group balances as at 30 June 2015 as the HK PropCo Group and the HK ServiceCo Group are no longer the companies within the Post-Completion Group after the Disposal Completion.
- (17) The adjustment represents the consideration paid by Sunrise Metro to Castro Global in cash upon the Acquisition Completion.

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(18) Since the Group invested in the joint venture which in turn acquired the London Property in February 2015, the preparation of the unaudited pro forma consolidated statement of cash flows is based on the unaudited financial information of the London PropCo Group for the ten months ended 31 October 2015 for the purpose of illustrating the effect of the Acquisition on the Post-Completion Group. The adjustment represents the unaudited consolidated statement of cash flows for the ten months ended 31 October 2015 of the London PropCo Group, assuming that the Acquisition had been completed on 1 January 2014.

For illustrative purpose, the translation rate from British Pound Sterling to Hong Kong dollars is GBP1 to HK\$11.681.

(19) The adjustment represents the payment of the Special Cash Dividend of HK\$3.80 per Share to all Shareholders upon the Disposal Completion and Acquisition Completion having taken place. Details of the adjustment are as follows:

Number of Shares issued and fully paid as at 1 January 2014	799,557,415
Proposed Special Cash Dividend of HK\$3.80 per Share (HK\$)	3.80
Total Special Cash Dividend (HK\$)	<u>3,038,318,177</u>

(20) The adjustments represent the reclassification of the intra-group cash flows for the year ended 31 December 2014 as the HK PropCo Group and the HK ServiceCo Group are no longer the companies within the Post-Completion Group after Disposal Completion.

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

The following is the text of a report from Ernst & Young, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Post-Completion Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.



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

29 January 2016

The Board of Directors
Y. T. Realty Group Limited
Rooms 3301-3307
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Y. T. Realty Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2015, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2014, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014, and the related notes as set out in Section A in Appendix III of the circular dated 29 January 2016 (the “Circular”) issued by the Company (the “Unaudited Pro Forma Financial Information”) in connection with the proposed disposal (the “Proposed Disposal”) of the entire issued share capital of Y. T. Properties International Limited (“HK PropCo”) and Y. T. Property Services Limited (“HK ServiceCo”) and the sale of shareholders’ loans owed by HK PropCo and HK ServiceCo to Y. T. Investment Holdings Limited, a wholly-owned subsidiary of the Company, and the acquisition of 50% equity interest in Solent Ventures Limited (the “Acquisition”). The Proposed Disposal and the Acquisition are collectively referred to as the “Transactions”. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in the section headed “Introduction” of Section A in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transactions on the Group’s financial position as at 30 June 2015 as if the transactions had taken place at 30 June 2015, and the Group’s financial performance and cash flows

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-COMPLETION GROUP

for the year ended 31 December 2014 as if the transactions had taken place at 1 January 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited interim financial statements for the six months ended 30 June 2015, on which no audit or review report has been published, and the information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2014, on which an audit report has been published.

Directors' responsibility 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 (the "HKICPA").

Our independence and quality control

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

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE POST-COMPLETION GROUP**

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

A reasonable assurance engagement to report on whether the 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 Transactions, and to obtain sufficient appropriate evidence about whether:

- the related 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 Transactions 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 purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The Directors
Y. T. Realty Group Limited
Rooms 3301-3307
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

29 January 2016



Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

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savills.com

Dear Sirs

Re: (1) Prestige Tower, 23 and 25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong
(2) Century Square, 1-13 D'Aguilar Street, Central, Hong Kong
(Collectively known as "The Properties")

In accordance with your instructions for us to value the Properties held by Y. T. Realty Group Limited ("the Company") or its subsidiaries for investment purposes, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the respective market values of the Properties as at 31 October 2015 for the purposes of inclusion in a circular to be issued by the Company in connection with a connected transaction.

BASIS OF VALUATION

Our valuation for each of the Properties is our opinion of its 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".

We are independent of the Company and our valuation is prepared in accordance with "RICS Valuation — Professional Standards (January 2014)" and "International Valuation Standards" published by Royal Institution of Chartered Surveyor and International Valuation Standards Council respectively. We have also complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In undertaking our valuation for the Properties, we have made reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net income shown on schedules handed to us by the Company. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

TITLE INVESTIGATIONS

We have not been provided with any title documents relating to the Properties but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers. As advised by the Company, there are no investigations, notices, pending litigation, breaches of law or title defects against the Properties.

VALUATION CONSIDERATION AND ASSUMPTIONS

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, proposed alteration scheme, building plans, alteration cost and all other relevant matters. As per instruction, we have prepared our valuation based on the floor areas provided by the Company. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents and area schedules provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised by the Company that no material facts have been omitted from the information provided.

We have inspected the Properties externally and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services. Moreover, no environmental study for the property has been made.

Our inspections of the Properties were carried out by Mr. Eddie So (MRICS) on 21 December 2015. The Properties were maintained in a reasonable condition commensurate with its age and uses and equipped with normal building services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Charles Chan, who is the Managing Director of Savills Valuation and Professional Services Limited (“SVPSL”) and a Fellow of the Royal Institution of Chartered Surveyors with about 31 years’ experience in valuation of properties in Hong Kong and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the captioned Properties, SVPSL and Mr. Charles Chan had been involved in valuations of the Properties for accounting purposes in the past years.

We are not aware of any instances which would give rise to potential conflict of interest from SVPSL or Mr. Charles Chan in the subject exercise. We confirm SVPSL and Mr. Charles Chan are in the position to provide objective and unbiased valuation for the Properties.

We enclose herewith our summary of values and valuation report.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited

Charles C K Chan
MSc FRICS MCI Arb RPS(GP)
Managing Director

Note: Charles C K Chan is a chartered surveyor and has about 31 years experience in the valuation of properties in Hong Kong.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 October 2015
1. Prestige Tower, 23 and 25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong	HK\$2,040,000,000
2. Century Square, 1-13 D'Aguilar Street, Central, Hong Kong	<u>HK\$2,030,000,000</u>
Total:	<u>HK\$4,070,000,000</u>

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2015
1. Prestige Tower, 23 and 25 Nathan Road, Tsimshatsui, Kowloon, Hong Kong. Kowloon Inland Lot No. 7528.	<p>The property is situated on the western side of Nathan Road in Tsim Sha Tsui District of Kowloon Peninsula. The immediate area is a well-established commercial and tourist area. Developments in the vicinity comprise commercial buildings, hotels and shopping arcades.</p> <p>The property comprises a 12-storey plus a basement and a penthouse commercial building completed in 1963.</p> <p>Basement to 4th Floor are designed for commercial / retail uses whilst the upper floors are for office use.</p> <p>The total gross area of the property is approximately 113,721 sq ft (10,564.94 sq m).</p> <p>As advised by the Company, alteration work on the layout of the Basement and Ground Floor will be carried out in the 1st quarter of 2016 and is scheduled to be completed in the 2nd quarter of 2016.</p> <p>Kowloon Inland Lot No. 7528 is held under Conditions of Re-grant No. 6117 for a term of 150 years commencing on 24 June 1889 at an annual Government rent of HK\$1,000.</p>	<p>The property is subject to various tenancies with the last expiry in September 2018. The total monthly rental is approximately HK\$9,100,000 mostly exclusive of rates and management fees.</p> <p>In addition, various ancillary spaces and signages are subject to various licences at a total licence fee of approximately HK\$133,000.</p>	<p>HK\$2,040,000,000 (Hong Kong Dollars Two Billion Forty Million)</p>

Notes:

- (1) The registered owner of the property is Benefit Plus Company Limited, in which the Company has a 100 per cent attributable interest.
- (2) The property is subject to a Debenture and Mortgage in favour of The Bank of East Asia, Limited vide Memorial No. UB8328539 dated 26 February 2001.
- (3) As advised by the Company, an existing tenant of the building has committed a new tenancy for a term of 3 years from 1 June 2016 at a monthly rent of HK\$4,000,000 exclusive of rates and management fees upon completion of the proposed alteration works and the tenant shall have an option to renew for a further term of 3 years at the then market rent.
- (4) As advised by the Company, the proposed alteration cost is approximately HK\$12,000,000.
- (5) In accordance with the specific instruction by the Company, our valuation has taken into account the committed tenancy mentioned and (3) above as well as the cost of alteration stated in (4) above.

- (6) As advised by the Company, apart from the alteration work on the layout of the Basement and Ground Floor mentioned above, there is no present plan for construction, renovation, improvement, development and change of use of the property.
- (7) The property currently lies within an area zoned “Commercial (6)” under Tsim Sha Tsui Outline Zoning Plan No. S/K1/28.
- (8) We have issued a valuation report dated 16 November 2015 (the “November Report”) for the valuation of the property as of 31 October 2015 for the Company’s internal reference purposes. The valuation amount as disclosed in the November Report is the same as the figure disclosed in this report.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2015
2. Century Square, 1-13 D'Aguilar Street, Central, Hong Kong. All shares of and in Sections A, B and D of Inland Lot No. 18, the Remaining Portion of Section A of Inland Lot No. 18A and Section C of Inland Lot No. 18A.	<p>The property is situated on the north-western side of D'Aguilar Street in Central District of Hong Kong Island. The locality is the well-known central business district of Hong Kong. Developments in the vicinity comprise a cluster of medium to high-rise commercial buildings intermingled with some shopping arcades.</p> <p>The property comprises a 21-storey plus a basement commercial building completed in 1984.</p> <p>It is designed to have commercial premises from Basement to 4th Floor and office premises from 5th to 20th Floor.</p> <p>The total gross area of the property is approximately 94,727 sq ft (8,800.43 sq m).</p> <p>Inland Lot No. 18 is held under a Government Lease for a term of 999 years commencing on 26 June 1843.</p> <p>Inland Lot No. 18A is held under a Government Lease for a term of 75 years extended to 999 years commencing on 26 June 1843. The Government rent payable for the property is HK\$85.02 per annum.</p>	<p>The property is subject to various tenancies with the last expiry in September 2018. The total monthly rental is approximately HK\$8,500,000.</p> <p>In addition, various ancillary spaces and signages are subject to various licences at a total licence fee of approximately HK\$330,000.</p>	<p>HK\$2,030,000,000 (Hong Kong Dollars Two Billion Thirty Million)</p>

Notes:

- (1) The registered owner for those floors from Basement to 4th Floors of the property is Score Goal Investment Limited, in which the Company has a 100 per cent attributable interest.
- (2) The registered owner for those floors from 5th to 20th Floors of the property is Harson Investment Limited, in which the Company has a 100 per cent attributable interest.
- (3) In addition, the property is subject to the following encumbrances:-
 - i) Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. UB5752647 dated 19 July 1993 (Re: Basement to 4th Floor only);
 - ii) Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. UB5752650 dated 19 July 1993 (Re: 5th Floor to 20th Floor only);
 - iii) Deed of Variation of Memorial No. UB5752647 and Further Charge to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. UB7547431 dated 20 July 1998 (Re: Basement to 4th Floor only);

- iv) Assignment of Rental in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. UB7547432 dated 20 July 1998 (Re: Basement to 4th Floor only);
 - v) Deed of Variation of Memorial No. UB5752650 and Further Charge to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. UB7547434 dated 20 July 1998 (Re: 5th Floor to 20th Floor only);
 - vi) Assignment of Rental in favour of the Hongkong and Shanghai Banking Corporation Limited vide Memorial No. UB7547435 dated 20 July 1998 (Re: 5th Floor to 20th Floor only);
 - vii) Sealed Copy of Order in favour of Score Goal Investment Limited and Harson Investment Limited “The Plaintiffs” and China Star Consultants Limited “The Defendant” in H.C. Action No. 2470 of 1998 vide Memorial No. UB7847142 dated 29 July 1999; and
 - viii) Sealed Copy of Amended Order in favour of Score Goal Investment Limited and Harson Investment Limited “The Plaintiffs” and China Star Consultants Limited “The Defendant” in H.C. Action No. 2470 of 1998 (as amended on 16 August 2000) vide Memorial No. UB8162727 dated 25 July 2000.
- (4) As advised by the Company, there is no present plan for construction, renovation, improvement, development or change of use of the property.
- (5) The property currently lies within an area zoned “Commercial” under Central District Outline Zoning Plan No. S/H4/15.
- (6) We have issued a valuation report dated 16 November 2015 (the “November Report”) for the valuation of the property as of 31 October 2015 for the Company’s internal reference purposes. The valuation amount as disclosed in the November Report is the same as the figure disclosed in this report.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ASSOCIATED CORPORATIONS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) section 352 of the SFO, to be entered in the register required to be kept by the Company referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Long positions in Shares

Name of Director	Capacity	Number of Shares held	Total number of Shares held	Approximate percentage of shareholdings
Mr. Cheung	Interest of controlled corporation	273,000,000	273,000,000 ¹	34.14%
Wong Chi Keung	Beneficial owner	1,576,000	1,576,000	0.20%
Ng Kwok Fu	Beneficial owner	50,000		
	Interest of spouse	40,000	90,000	0.01%

(b) Long positions in the shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	Approximate percentage of shareholdings
Mr. Cheung	Cross-Harbour	Interest of controlled corporation	155,254,432 ²	41.66%

Notes:

¹ Mr. Cheung was deemed to be interested in 273,000,000 Shares by virtue of his indirect interest in Funrise Limited (“Funrise”) which owned those Shares. Funrise was a wholly-owned subsidiary of Yugang International (B.V.I.) Limited (“Yugang BVI”) which in turn was a wholly-owned subsidiary of Yugang International Limited (“Yugang International”). Mr. Cheung, Timmex Investment Limited (a company wholly owned by Mr. Cheung) and Chongqing Industrial Limited (“Chongqing Industrial”) owned 0.57%, 9.16% and 34.33% of the issued share capital of Yugang International respectively. Chongqing Industrial was owned as to 35% by Mr. Cheung, as to 30% by Prize Winner Limited (a company owned by Mr. Cheung and his associates), as to 30% by Peking Palace Limited (“Peking Palace”) and as to 5% by Miraculous Services Limited (“Miraculous Services”). Peking Palace and Miraculous Services were companies controlled by Palin Discretionary Trust, the trustee of which was Palin Holdings Limited and the objects of which included Mr. Cheung and his family.

² Honway Holdings Limited (an indirect wholly-owned subsidiary of the Company) held 155,254,432 shares in Cross-Harbour. Mr. Cheung was deemed to be interested in those shares of Cross-Harbour by virtue of his deemed interest in the Shares as described in note 1 above.

Save as disclosed above, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or 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 as at the Latest Practicable Date.

3. DIRECTORS’ INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, save for Mr. Cheung who had an indirect interest under the Disposal Agreement, none of the Directors or proposed Directors had any direct or indirect interest in any asset which had been, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group (including the London PropCo Group which will become subsidiaries of the Company following Acquisition Completion), or was proposed to be acquired or disposed of by or leased to any member of the Group (including the London PropCo Group).

As at the Latest Practicable Date, save for Mr. Cheung who was deemed to be interested in the Disposal Agreement, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group (including the London PropCo Group).

4. COMPETING INTERESTS

At the Latest Practicable Date, none of the Directors or their respective close associates (as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any direct or indirect interest in a business which competes or is likely to compete with the business of the Group.

5. DIRECTORS’ SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors or proposed Directors had entered or proposed to enter into a service contract with any member of the Group (including the London PropCo Group which will become subsidiaries of the Company following Acquisition Completion) which did not expire or was not determinable by the relevant member of the Group (including the London PropCo Group) within one year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were of the view that there was no material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group (including the London PropCo Group which will become subsidiaries of the Company following Acquisition Completion) was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group (including the London PropCo Group).

8. MATERIAL CONTRACTS

Save and except the agreements disclosed below, there are no material contracts (being contracts entered into outside the ordinary course of business) carried on or intended to be carried on by the Group (including the London PropCo Group which will become subsidiaries of the Company following Acquisition Completion) having been entered into by any member of the Group (including the London PropCo Group) within the two years immediately preceding the Latest Practicable Date:

- (a) the Disposal Agreement; and
- (b) the Acquisition Agreement.

9. EXPERTS AND CONSENT

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

Name	Qualification
Ernst & Young	Certified Public Accountants
Halcyon Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Savills Valuation and Professional Services Limited	Independent property valuer

As at the Latest Practicable Date, each of the above experts was not legally nor beneficially interested in the share capital of any member of the Group (including the London PropCo Group which will become subsidiaries of the Company following Acquisition Completion), nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group (including the London PropCo Group).

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any asset which had been, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group (including the London PropCo Group), or was proposed to be acquired or disposed of by or leased to any member of the Group (including the London PropCo Group).

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the expert statement and references to its name in the form and context in which they respectively appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) from the date of this circular up to 14 days thereafter at the Company's principal place of business in Hong Kong at Rooms 3301-3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong:

- (a) the memorandum and bye-laws of the Company;
- (b) the material contracts as set out under the section headed "8. *Material contracts*" of this appendix above;
- (c) the annual reports of the Company for the two financial years ended 31 December 2013 and 2014;
- (d) the letter from the Independent Board Committee to the Independent Shareholders dated 29 January 2016, the full text of which is set out on page 20 of this circular;
- (e) the letter from Halcyon to the Independent Board Committee and the Independent Shareholders dated 29 January 2016, the full text of which is set out on pages 21 to 50 of this circular;
- (f) the report on the Prestige Tower Property and the Century Square Property prepared by Savills Valuation and Professional Services Limited, the full text of which is set out in appendix IV to this circular;
- (g) the report on the unaudited pro forma financial information of the Post-Completion Group prepared by Ernst & Young, the full text of which is set out in appendix III to this circular;
- (h) the report prepared by Ernst & Young on the financial information of the HK PropCo Group and the HK ServiceCo Group, details of which are set out in appendix II to this circular;
- (i) the written consent referred to in the paragraph headed "9. *Experts and Consent*" of this appendix above; and
- (j) this circular.

11. GENERAL

- (a) The company secretary of the Company is Mr. Albert T. da Rosa, Jr., who is a practising solicitor in Hong Kong and a partner of Cheung Tong & Rosa Solicitors.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is situated at Rooms 3301-3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) Mr. Lee Ka Sze, Carmelo is a partner of Woo Kwan Lee & Lo, legal adviser of the Company as to Hong Kong law in respect of the Disposal Agreement and the Acquisition Agreement. Woo Kwan Lee & Lo will receive normal professional fees in connection with such matters.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

NOTICE OF SGM



Y. T. REALTY GROUP LIMITED 渝太地產集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 75)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “Meeting”) of Y. T. Realty Group Limited (the “Company”) will be held at Rooms 3301-3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Thursday, 18 February 2016 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the sale and purchase agreement dated 17 December 2015 entered into amongst Y. T. Investment Holdings Limited as vendor, Access Power Group Limited as purchaser and Mr. Cheung Chung Kiu as purchaser’s guarantor in relation to the conditional disposal of the Sale Shares (as defined in the circular to the shareholders of the Company dated 29 January 2016 of which this notice forms part (the “Circular”)) and the assignment of the Sale Loans (as defined in the Circular) (the “Disposal Agreement”, a copy of which has been produced to the Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification) and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and noted that the payment of a special cash dividend of HK\$3.8 per ordinary share of the Company (the “Special Cash Dividend”) payable to shareholders of the Company conditional on Disposal Completion (as defined in the Circular) and Acquisition Completion (as defined in the Circular) having taken place in the manner and on such date as the directors of the Company considered appropriate will be effected; and
- (b) any director of the Company be and is hereby authorised to do all such acts and things, as he/she may in his discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Disposal Agreement and the transactions contemplated thereunder and the payment of the Special Cash Dividend, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Disposal

* For identification purposes only

NOTICE OF SGM

Agreement and the implementation of all transactions contemplated thereunder and the payment of the Special Cash Dividend, including but not limited to agreeing with such variation, amendment or waiver as, in his/her opinion, appropriate and in the interests of the Company and its shareholders as a whole.”

By Order of the Board
Y. T. REALTY GROUP LIMITED
ALBERT T. DA ROSA, JR.
Secretary

Hong Kong, 29 January 2016

Principal place of business in Hong Kong
Rooms 3301-3307
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member may appoint one or more proxies to attend and vote on his or her behalf at the Meeting, or at any adjournment thereof, provided that the proxies are appointed to represent respectively such number of the shares held by the member that is specified in their forms of proxy. A proxy need not be a member.
2. The form of proxy must be under the hand of the appointer or his or her attorney duly authorised in writing or, if the appointer is a corporation, either under the common seal or under the hand of an officer, attorney or other authorised person.
3. Where there are joint registered holders of a share, if more than one of such persons be present at the Meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
4. In order to be valid, the completed form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time for holding the Meeting or the adjourned meeting, as the case may be.
5. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting or at any adjournment thereof, and, in such event, the appointment of the proxy will be revoked.
6. For determining entitlement to the Special Cash Dividend, the register of members and transfer books of the Company will be closed from Wednesday, 24 February 2016 to Thursday, 25 February 2016, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for the Special Cash Dividend, all transfer documents and accompanying share certificates must be lodged for registration with Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m., Tuesday, 23 February 2016.