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## **Rosedale Hotel Holdings Limited**

**珀麗酒店控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1189)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

The board of directors (the “Board”) of Rosedale Hotel Holdings Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 30 June 2011 together with comparative figures for the corresponding period in 2010 as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2011*

		<b>Six months ended</b>	
		<b>30.6.2011</b>	<b>30.6.2010</b>
	<i>NOTE</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Continuing operations</b>			
Turnover	3	<b>178,226</b>	137,365
Direct operating costs		<b>(156,860)</b>	(115,746)
Gross profit		<b>21,366</b>	21,619
Other gains and losses		<b>(8,628)</b>	3,420
Distribution and selling expenses		<b>(1,821)</b>	(1,522)
Administrative expenses		<b>(92,234)</b>	(118,676)
Fair value (loss) gain on investments held for trading		<b>(1,911)</b>	888
Finance costs		<b>(19,418)</b>	(35,120)
Fair value loss on derivative financial instrument		<b>(2,080)</b>	–
Impairment loss recognised in respect of property, plant and equipment		<b>(9,980)</b>	(3,104)
Impairment loss recognised in respect of other intangible assets		–	(14,000)
(Loss) gain on disposal of subsidiaries		<b>(549)</b>	759
Loss on disposal of associates		–	(2,642)
Decrease in fair value of investment properties		<b>(2,272)</b>	(34,000)

		<b>Six months ended</b>	
		<b>30.6.2011</b>	<b>30.6.2010</b>
	<i>NOTES</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Loss before taxation	4	(117,527)	(182,378)
Taxation (charge) credit	5	(818)	3,877
Loss for the period from continuing operations		<u>(118,345)</u>	<u>(178,501)</u>
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	6	<u>–</u>	<u>703,915</u>
(Loss) profit for the period		<u>(118,345)</u>	<u>525,414</u>
<b>Other comprehensive income (expenses)</b>			
Exchange difference arising on translation of financial statements of foreign operations		33,306	322
Reclassification adjustment of exchange difference reversal on disposal of subsidiaries		<u>–</u>	<u>(1,354)</u>
Total comprehensive (expenses) income for the period		<u><b>(85,039)</b></u>	<u><b>524,382</b></u>
(Loss) profit for the period attributable to:			
Owners of the Company		(111,344)	577,983
Non-controlling interests		<u>(7,001)</u>	<u>(52,569)</u>
		<u><b>(118,345)</b></u>	<u><b>525,414</b></u>
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(82,078)	577,040
Non-controlling interests		<u>(2,961)</u>	<u>(52,658)</u>
		<u><b>(85,039)</b></u>	<u><b>524,382</b></u>
		<b>HK\$</b>	<b>HK\$</b>
<b>(LOSS) EARNINGS PER SHARE</b>	8		
From continuing and discontinued operations – Basic and diluted		<u><b>(0.17)</b></u>	<u><b>1.06</b></u>
From continuing operations – Basic and diluted		<u><b>(0.17)</b></u>	<u><b>(0.23)</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	At 30.6.2011 HK\$'000 (unaudited)	At 31.12.2010 HK\$'000 (audited) (restated)
Non-current assets			
Property, plant and equipment	9	2,079,509	1,910,198
Investment properties		298,400	294,493
Interest in associates		4	4
Interest in a jointly controlled entity		17,050	–
Available-for-sale investments		120,136	120,136
Intangible assets		47,872	61,558
Investment payments and other assets		42,252	43,116
Amounts due from associates		41,085	41,085
Amount due from an investee		18,325	17,216
Club debenture, at cost less impairment		520	520
Pledged bank deposits		11,820	–
		<b>2,676,973</b>	<b>2,488,326</b>
Current assets			
Inventories		5,818	5,874
Amounts due from associates		9	5
Trade and other receivables	10	53,396	68,172
Investments held for trading		16,507	19,011
Pledged bank deposits		2,293	–
Bank balances and cash		286,428	387,519
		<b>364,451</b>	<b>480,581</b>
Assets classified as held for sale		<b>41,769</b>	<b>54,362</b>
		<b>406,220</b>	<b>534,943</b>
Current liabilities			
Trade and other payables	11	176,822	153,806
Loan from a related company		–	10,000
Tax liabilities		14,989	14,694
Amount due to a related company		14,175	–
Borrowings – amount due within one year	12	284,361	56,037
Other borrowings		8,148	5,500
Derivative liability		2,080	–
Convertible notes	13	–	330,842
Amount due to non-controlling shareholders of subsidiaries		8,936	8,726
		<b>509,511</b>	<b>579,605</b>
Liabilities directly associated with assets classified as held for sale		<b>773</b>	<b>1,734</b>
		<b>510,284</b>	<b>581,339</b>

		At 30.6.2011 <i>HK\$'000</i> (unaudited)	At 31.12.2010 <i>HK\$'000</i> (audited) (restated)
	NOTE		
Net current liabilities		<u>(104,064)</u>	<u>(46,396)</u>
Total assets less current liabilities		<u>2,572,909</u>	<u>2,441,930</u>
Non-current liabilities			
Borrowings – amount due after one year	12	228,253	–
Deferred taxation		<u>175,159</u>	<u>172,779</u>
		<u>403,412</u>	<u>172,779</u>
Net assets		<u><u>2,169,497</u></u>	<u><u>2,269,151</u></u>
Capital and reserves			
Share capital		6,577	6,577
Reserves		<u>1,919,301</u>	<u>1,998,980</u>
Equity attributable to owners of the Company		1,925,878	2,005,557
Non-controlling interests		<u>243,619</u>	<u>263,594</u>
Total equity		<u><u>2,169,497</u></u>	<u><u>2,269,151</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Company and its subsidiaries (collectively referred to as the “Group”) in light of the Group’s loss for the period of approximately HK\$118,345,000 and the Group’s current liabilities exceed its current assets by approximately HK\$104,064,000 as at 30 June 2011. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration that there are available borrowing facilities and that there are assets available to pledge for obtaining further banking facilities.

## 2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2011.

The Group has applied HKAS 24 Related Party Disclosures (as revised in 2009) for the first time in the current period. HKAS 24 (as revised in 2009) has changed the definition of a related party. HKAS 24 (as revised in 2009) requires retrospective application. The related party disclosures set out in the condensed consolidated financial statements have been changed to reflect the application of HKAS 24 (as revised in 2009). The comparative figures on the condensed consolidated financial statements have also been restated.

Certain of the companies previously considered to be related parties are no longer considered as related parties under the new definition of a related party in accordance with HKAS 24 (as revised in 2009) and accordingly, transactions with these companies are not disclosed separately.

***Summary of the effect of the above changes***

As a result of the changes to the definition of a related party, amounts due from certain companies previously considered to be related parties (“former related parties”) at 30 June 2011 with the aggregate carrying amount of HK\$2,856,000 have been classified as trade and other receivables. In addition, at 30 June 2011, amounts due to former related parties amounting to approximately HK\$82,673,000 and loans from former related parties amounting to approximately HK\$8,148,000 have been respectively classified as trade and other payables and other borrowings.

The effect of changes in the definition of a related party described above on the financial position of the Group as at 31 December 2010 is as follows:

	At 31.12.2010 (originally stated) HK\$'000	Adjustments HK\$'000	At 31.12.2010 (restated) HK\$'000
Amounts due from related companies	2,583	(2,583)	–
Trade and other receivables	65,589	2,583	68,172
Trade and other payables	101,930	51,876	153,806
Amounts due to related companies	51,876	(51,876)	–
Loans from related companies	15,500	(5,500)	10,000
Other borrowings	–	5,500	5,500
	<u>237,478</u>	<u>–</u>	<u>237,478</u>

The effect of changes in the definition of a related party described above on the financial position of the Group as at 1 January 2010 is as follows:

	<b>At 1.1.2010 (originally stated) HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>At 1.1.2010 (restated) HK\$'000</b>
Amounts due from related companies	36,610	(35,981)	629
Trade and other receivables	309,157	35,981	345,138
Trade and other payables	636,342	62,457	698,799
Amounts due to related companies	65,019	(62,457)	2,562
Loans from related companies	119,881	(101,881)	18,000
Other borrowings	—	101,881	101,881
	<u>1,167,009</u>	<u>—</u>	<u>1,167,009</u>

The changes in the definition of a related party have had no impact on the reported profit or loss and (loss) earnings per share for the current and prior years.

The Group has not early applied the following new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective.

HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (Revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012.

Five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The directors of the Company are still in the process of assessing the impact of HKFRS 10 and HKFRS 11 on the future results and financial position of the Group.

Based on their assessment so far, the directors of the Company anticipate that the application of the other new or revised standards will have no material impact on the results and financial position of the Group.

### **3. Segment information**

Segment information reported externally was analysed on the basis of the types of services provided and activities carried out by the Group's operating divisions. The Group is currently organised into two operating divisions – hotel and leisure services, and securities trading. The information reported to the Group's chief operating decision maker (i.e. Executive Directors) for the purposes of resource allocation and assessment of performance is focused on these operating divisions. However, limited securities trading activities are noted for both periods.



The following is an analysis of the Group's revenue and results by reportable and operating segments from continuing operations, for the period under review:

**Six months ended 30 June 2011 (unaudited)**

***Continuing operations***

	<b>Hotel and leisure services <i>HK\$'000</i></b>	<b>Securities trading <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
<b>Segment turnover</b>			
External sales	<u>178,226</u>	<u>–</u>	<u>178,226</u>
<b>Results</b>			
Amount excluding impairment loss recognised in respect of property, plant and equipment	(62,049)	(1,916)	(63,965)
Impairment loss recognised in respect of property, plant and equipment	<u>(9,980)</u>	<u>–</u>	<u>(9,980)</u>
Segment results	<u>(72,029)</u>	<u>(1,916)</u>	(73,945)
Interest income			87
Finance costs			(19,418)
Central administrative costs and other unallocated expenses			(19,350)
Fair value loss on derivative financial instrument			(2,080)
Loss on disposal of subsidiaries			(549)
Decrease in fair value of investment properties			<u>(2,272)</u>
Loss before taxation			<u>(117,527)</u>

**Six months ended 30 June 2010 (unaudited)**

***Continuing operations***

	<b>Hotel and leisure services <i>HK\$'000</i></b>	<b>Securities trading <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
<b>Segment turnover</b>			
External sales	<u>137,365</u>	<u>–</u>	<u>137,365</u>
<b>Results</b>			
Amount excluding impairment loss recognised in respect of intangible assets, and property, plant and equipment	(66,556)	876	(65,680)
Impairment loss recognised in respect of intangible assets, and property, plant and equipment	<u>(17,104)</u>	<u>–</u>	<u>(17,104)</u>
Segment results	<u>(83,660)</u>	<u>876</u>	(82,784)
Interest income			373
Finance costs			(35,120)
Central administrative costs and other unallocated expenses			(28,964)
Gain on disposal of a subsidiary			759
Loss on disposal of associates			(2,642)
Decrease in fair value of investment properties			<u>(34,000)</u>
Loss before taxation			<u>(182,378)</u>

Segment result represents the profit earned or loss incurred by each segment without allocation of central administrative costs and other unallocated expenses, interest income, finance costs, decrease in fair value of investment properties and the derivative financial instrument, and (loss) gain on disposal of subsidiaries and associates. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

#### 4. Loss before taxation

	Six months ended	
	30.6.2011	30.6.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Loss before taxation has been arrived at after charging:		
Amortisation of other intangible assets	2,931	5,523
Depreciation of property, plant and equipment	52,729	35,754
Payments in respect of rented premises	45,218	33,511
and after crediting:		
Interest income	<u>87</u>	<u>373</u>

#### 5. Taxation (charge) credit

	Six months ended	
	30.6.2011	30.6.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Taxation (charge) credit comprises:		
Current tax:		
Hong Kong	–	–
Other jurisdiction	(2,618)	(388)
Deferred tax:		
Current period	<u>1,800</u>	<u>4,265</u>
Taxation (charge) credit relating to continuing operations	<u>(818)</u>	<u>3,877</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for both periods under review. People's Republic of China ("PRC") enterprise income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Taxation arising in other jurisdiction is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

## 6. Discontinued operations

On 3 February 2010, the Group entered into a sale agreement to dispose of its 90% equity interest in HKWOT (BVI) Limited (“HKWOT”), which carried out all of the Group’s travel and related services operations. The disposal was completed on 27 May 2010, on which date the Group passed the control of HKWOT to C-Travel International Limited, the purchaser of 90% equity interest in HKWOT (the “Purchaser”). The Group has retained the remaining 10% interest in HKWOT as an available-for-sale investment and carried at deemed cost less impairment, if any.

On 13 March 2010, the Group entered into a termination agreement to terminate the rolling stock purchase agreement (“RSPA”) with the contractor of the Group’s luxury trains under construction. The termination of the RSPA became effective on 3 May 2010, on which date the Group’s operation in the luxury trains services was discontinued, all obligations of the parties under the RSPA have been terminated and the luxury trains under construction were passed to the contractor. Proceeds of approximately HK\$277,931,000 (equivalents to US\$35,663,000) would be received upon the termination and was settled during 2010. In addition, a payable on construction cost of approximately HK\$233,909,000 was waived with the agreement with the contractor. The purpose of the termination was to generate cash flows to settle the debts related to the luxury trains services.

The profit (loss) from the discontinued operations for the prior period is analysed as follows:

	Travel and related services 1.1.2010 to 27.5.2010 <i>HK\$’000</i> (unaudited)	Luxury trains services 1.1.2010 to 3.5.2010 <i>HK\$’000</i> (unaudited)	Total discontinued operations 1.1.2010 to 30.6.2010 <i>HK\$’000</i> (unaudited)
Profit of travel and related services	40,740	–	40,740
Gain on disposal of travel and related services	716,936	–	716,936
Loss of luxury trains services	–	(34,674)	(34,674)
Loss on termination of luxury trains services	–	(19,087)	(19,087)
	<u>757,676</u>	<u>(53,761)</u>	<u>703,915</u>

The results of the travel and related services, and luxury trains services operations for the prior period were as follows:

	Travel and related services 1.1.2010 to 27.5.2010 <i>HK\$'000</i> (unaudited)	Luxury trains services 1.1.2010 to 3.5.2010 <i>HK\$'000</i> (unaudited)	Total discontinued operations 1.1.2010 to 30.6.2010 <i>HK\$'000</i> (unaudited)
Turnover	750,487	–	750,487
Cost of sales	(644,641)	–	(644,641)
Investment income	2	–	2
Other income	718	–	718
Selling expenses	(10,535)	–	(10,535)
Administrative expenses	(50,486)	(12,485)	(62,971)
Finance costs	(149)	(4,398)	(4,547)
Impairment loss recognised in respect of amount due from a jointly controlled entity	–	(16,175)	(16,175)
Share of results of associates	(396)	–	(396)
Share of results of a jointly controlled entity	<u>–</u>	<u>(1,616)</u>	<u>(1,616)</u>
Profit (loss) before tax	45,000	(34,674)	10,326
Income tax expense	<u>(4,260)</u>	<u>–</u>	<u>(4,260)</u>
Profit (loss) for the period	<u><u>40,740</u></u>	<u><u>(34,674)</u></u>	<u><u>6,066</u></u>

Profit (loss) for the prior period from discontinued operations including the following:

	Travel and related services 1.1.2010 to 27.5.2010 <i>HK\$'000</i> (unaudited)	Luxury trains services 1.1.2010 to 3.5.2010 <i>HK\$'000</i> (unaudited)	Total discontinued operations 1.1.2010 to 30.6.2010 <i>HK\$'000</i> (unaudited)
Depreciation and amortisation	1,731	53	1,784
Loss on disposal of property, plant and equipment	<u>(4)</u>	<u>–</u>	<u>(4)</u>

The net liabilities of HKWOT at the date of disposal were as follows:

	At 27.5.2010 <i>HK\$'000</i> (unaudited)
Net liabilities disposed of	(153,193)
Fair value of remaining 10% equity interest in HKWOT retained	(56,258)
Translation reserve realised	(1,160)
Transaction costs on disposal	12,971
Gain on disposal	<u>716,936</u>
Total consideration	<u><u>519,296</u></u>
Satisfied by:	
Cash	684,000
Other payables associated with the post-completion adjustment ( <i>note</i> )	<u>(164,704)</u>
	<u><u>519,296</u></u>
Net cash inflow arising on disposal:	
Total cash consideration received	684,000
Bank balances and cash disposed of	(12,723)
Transaction costs paid on disposal	<u>(12,971)</u>
	<u><u>658,306</u></u>

*Note:* Amount represented net current liabilities of HKWOT at completion date of which in accordance with the terms of the sale agreement, the Group shall repay such amounts to the Purchaser, as a reduction in the consideration.

On 27 May 2010, the Company has also entered into a shareholders' agreement ("Shareholders' Agreement") with the Purchaser upon the completion of the disposal of its 90% interest in HKWOT (hereinafter together with its subsidiaries collectively referred to as the "Disposal Group") to regulate their rights and obligations as between themselves in respect of certain matters pertaining to the ownership, operations, management and governance of HKWOT.

The Shareholders' Agreement has, inter-alia, given the Company a put option in respect of its 10% interest in HKWOT if (i) HKWOT has not made a filing to commence an initial public offering (in accordance with the applicable rules of the relevant stock exchange) on or before the third anniversary of the date of the Shareholders' Agreement; or (ii) there is any change in the scope or nature of a substantial part of the business of the Disposal Group so that the revenue of the business represents less than 50% of the aggregate revenue of the enlarged business as at the date on which such acquisition completes and on a pro forma basis for the immediately preceding financial year of the Disposal Group; or (iii) there is a disposal of a substantial part of the business of the Disposal Group or any transaction the effect of which is that either (a) HKWOT will cease to own more than 50% of the shares of Hong Kong Wing On Travel Service Limited ("WOTSL") carrying the right to vote in all circumstances and to share pro rata in all distributions of WOTSL; or (b) the Purchaser ceases to be the legal and beneficial owner of more than 50% of the shares of HKWOT carrying the right to vote in all circumstances and to share pro rata in all distribution of HKWOT (either of these being a "Disposal Event"), except that the Company has given its written consent(s) on such matters as mentioned in (ii) and (iii) above, the Company shall have an option of requiring the Purchaser to purchase all its 10% interest in HKWOT at an amount in Hong Kong dollars equal to 20 times of the consolidated net profit after tax of HKWOT as shown in the audited consolidated financial statements for the latest full financial year as at the date on which the option is exercised.

The management has assessed the fair value of the aforesaid put option at the date of the Shareholders' Agreement and as of 30 June 2011 and determined that the value of such option is not significant.

## **7. Dividend**

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

## 8. (Loss) earnings per share

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

### *From continuing and discontinued operations*

	<b>Six months ended</b>	
	<b>30.6.2011</b>	30.6.2010
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) earnings for the period attributable to owners of the Company	<b><u>(111,344)</u></b>	<b><u>577,983</u></b>
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	<b><u>657,675,872</u></b>	<b><u>546,007,049</u></b>

The computation of diluted loss per share for the period ended 30 June 2011 has not assumed the conversion of the Company's previously outstanding convertible notes since their exercise would result in a decrease in loss per share from continuing operations.

The computation of diluted earnings per share for the period ended 30 June 2010 has not assumed the conversion of the Company's outstanding convertible notes because the exercise price of the convertible notes was higher than the average market price for shares for 2010.



### ***From continuing operations***

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	<b>Six months ended</b>	
	<b>30.6.2011</b>	30.6.2010
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
(Loss) profit for the period attributable to the owners of the Company	<b>(111,344)</b>	577,983
Less: Profit for the period from discontinued operations	<u>–</u>	<u>703,915</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u><b>(111,344)</b></u>	<u>(125,932)</u>

The calculation of diluted loss per share from continuing operations for the period ended 30 June 2011 and 2010 has not assumed the conversion of the Company's previously outstanding convertible notes as these potential ordinary shares are anti-dilutive during both periods.

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

### ***From discontinued operation***

Basic and diluted earnings per share from discontinued operations was HK\$1.29 per share for the six months ended 30 June 2010 (for the six months ended 30.6.2011: HK\$Nil per share), based on the profit for the respective period from discontinued operations of HK\$703,915,000 (for the six months ended 30.6.2011: HK\$Nil) and the denominators detailed above for both basic and diluted (loss) earnings per share.

## **9. Movements in property, plant and equipment**

During the period, the Group spent approximately HK\$292,713,000 (for the six months ended 30.6.2010: HK\$162,655,000) on acquisition of property, plant and equipment of which approximately HK\$270,650,000 was in relation to properties under construction (for the six months ended 30.6.2010: HK\$9,336,000).

The directors have reviewed the recoverability of the carrying amounts of the Group's leasehold improvements in respect of hotel properties at the end of the reporting period. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 15.7%. The directors determined that the carrying amounts of the leasehold improvements of approximately HK\$183,730,000 exceeded their recoverable amounts. Accordingly, an impairment loss of approximately HK\$9,980,000 (for the six months ended 30.6.2010: HK\$3,104,000) has been recognised in respect of these leasehold improvements.

## 10. Trade and other receivables

Included in trade and other receivables are trade receivables of approximately HK\$15,889,000 (at 31.12.2010: HK\$22,704,000) and the aged analysis of the trade receivables (net of impairment) at the end of the reporting period is as follows:

	At 30.6.2011 <i>HK\$'000</i> (unaudited)	At 31.12.2010 <i>HK\$'000</i> (audited)
0 – 30 days	9,199	7,704
31 – 60 days	1,400	1,915
61 – 90 days	743	1,685
Over 90 days	4,547	11,400
	<u>15,889</u>	<u>22,704</u>

The Group allows an average credit period of 0 to 30 days to customers.

## 11. Trade and other payables

Included in trade and other payables are trade payables of approximately HK\$11,077,000 (at 31.12.2010: HK\$11,151,000) and the aged analysis of the trade payables at the end of the reporting period is as follows:

	At 30.6.2011 <i>HK\$'000</i> (unaudited)	At 31.12.2010 <i>HK\$'000</i> (audited)
0 – 30 days	4,223	5,300
31 – 60 days	2,559	2,474
61 – 90 days	1,383	701
Over 90 days	2,912	2,676
	<u>11,077</u>	<u>11,151</u>

## 12. Borrowings

During the period, the Group obtained three new bank loans amounting to HK\$502,614,000 (2010: HK\$Nil). The loans bear interest at Hong Kong Interbank Offer Rate (“HIBOR”) plus 1.75%, HIBOR plus 2.46% and Renminbi Benchmark Deposit and Loan Rate times 120% per annum. They are repayable over a period of 3 to 4 years. HK\$269,000,000 of the loans which are not due for repayment within the next twelve months have been classified as current liabilities as the loan contains repayable on demand clause. Bank deposits of approximately HK\$14,113,000 (2010: HK\$Nil) and properties of approximately HK\$1,193,666,000 were pledged as securities for these bank borrowings as at 30 June 2011.

HK\$269,000,000 of the proceeds were used to finance the construction of hotel properties.

## 13. Convertible notes

The movement of the liability component of the convertible notes for the period is set out below:

	At 30.6.2011 <i>HK\$'000</i> (unaudited)	At 31.12.2010 <i>HK\$'000</i> (audited)
Carrying amount at the beginning of the period	330,842	635,766
Interest charge	11,038	49,513
Interest paid	(31,080)	(9,066)
Redeemed during the period	(310,800)	–
Repurchased during the year	–	(345,371)
	<hr/>	<hr/>
Carrying amount at the end of the period	<u>–</u>	<u>330,842</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF OPERATIONS**

The Group attained a turnover of HK\$178.2 million from its continuing operations for the six months ended 30 June 2011, represented an increase of 29.7% as compared to the HK\$137.4 million for the corresponding period of 2010. The results of the Group for the six months ended 30 June 2011 was a loss of HK\$118.3 million against the profit of HK\$525.4 million for the corresponding period of 2010, which was mainly attributable to a gain on disposal of the travel and related business of approximately HK\$716.9 million. However, the aforesaid gain on disposal was a non-recurring item and there was no similar item recorded for the six months ended 30 June 2011. Notwithstanding that the Group has recorded a loss from its continuing operations of HK\$118.3 million for the six months ended 30 June 2011 (for the six months ended 30 June 2010: HK\$178.5 million), this represented a 33.7% reduction of loss from that of the corresponding period of previous year. This significant improvement was resulted mainly from decreases in various cost items during the reporting period. Loss for the period from continuing operations was arrived at after charging administrative expenses of HK\$92.2 million (for the six months ended 30 June 2010: HK\$118.7 million); finance costs of HK\$19.4 million (for the six months ended 30 June 2010: HK\$35.1 million); impairment loss recognised in respect of other intangible assets arising from certain under-performed hotel lease contracts of HK\$Nil (for the six months ended 30 June 2010: HK\$14.0 million); impairment loss recognised in respect of property, plant and equipment of HK\$10.0 million (for the six months ended 30 June 2010: HK\$3.1 million) and decrease in fair value of investment properties of HK\$2.3 million (for the six months ended 30 June 2010: HK\$34.0 million).

### **SEGMENT RESULTS**

#### **Hotel and Leisure Services**

The hotel and leisure business of the Group comprises the three “Rosedale” branded 4-star rated hotels, the Times Plaza Hotel, Shenyang, the Luoyang Golden Gulf Hotel and the Square Inn budget hotel chain.

Turnover increased by 29.7% to HK\$178.2 million for the six months ended 30 June 2011 (for the six months ended 30 June 2010: HK\$137.4 million) resulted from the increasing average room rate and average occupancy rates. The strong Renminbi and the expanding Square Inn budget hotel chain also played an important role to this improving performance. Segment loss for the reporting period was HK\$72.0 million (for the six months ended 30 June 2010: HK\$83.7 million). Loss for the period was mainly attributable to the lease rental paid for Rosedale on the Park and high depreciation charge on the Group's hotel properties and ancillary fixed assets.

### Securities Trading

Loss from securities trading for the six months ended 30 June 2011 was HK\$1.9 million (for the six months ended 30 June 2010: gain of HK\$0.9 million).

## LIQUIDITY AND FINANCIAL RESOURCES

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

	As at <b>30.06.2011</b> <i>HK\$million</i> (unaudited)	As at 31.12.2010 <i>HK\$million</i> (audited)
Loan from related companies	–	10.0
Other borrowings	<b>8.1</b>	5.5
Borrowings – amount due within one year	<b>284.4</b>	56.0
Borrowings – amount due after one year	<b>228.3</b>	–
Convertible notes	–	330.8
	<b>520.8</b>	402.3

The convertible notes issued in June 2006, matured on 7 June 2011, were of a fixed coupon rate of 2% per annum and other borrowings of approximately HK\$8.1 million bear interest at a fixed rate of 10% per annum. All other borrowings bear floating interest rates.

During the period, the Group repaid bank loan due of approximately HK\$46.0 million and obtained three new bank loans amounting to HK\$502.6 million. The loans bear interest at Hong Kong Interbank Offer Rate (“HIBOR”) plus 1.75%, HIBOR plus 2.46% and Renminbi Benchmark Deposit and Loan Rate times 120% per annum to finance the construction of the hotel in Tai Kok Tsui and for general operation uses. Bank deposits of approximately HK\$14.1 million and properties of approximately HK\$1,193.7 million were pledged as securities for these bank borrowings as at 30 June 2011.

The gearing ratio as at 30 June 2011, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was 27.0% (at 31 December 2010: 20.1%).

## **PLEDGE OF ASSETS**

At 30 June 2011, certain assets of the Group at net book value of HK\$1,207.8 million (at 31 December 2010: HK\$255.7 million) were pledged to banks and financial institutions for credit facilities.

At 30 June 2011, the Group's 10% interest in HKWOT (BVI) Limited was pledged to C-Travel International Limited (the "Purchaser") for the purposes of accounting for the payment, discharge and performance of all present and future obligations and liabilities (whether actual or contingent) of the Company to the Purchaser arising under or in respect of (i) any breach of warranties; (ii) any breach of protective covenants or post completion adjustment under the Disposal Agreement; (iii) the deed of indemnity dated 27 May 2010; (iv) the share charge dated 27 May 2010; and (v) any claims or other losses arising under or in connection with any of items (i) to (iv) above (inclusive) including, without limitation, damages in respect of any such claims as determined by a court or arbitration of competent jurisdiction or amounts the subject of a settlement or otherwise agreed in writing between the Company and the Purchaser for a period ending on the date falling three years from 27 May 2010. The carrying amount of the Group's 10% interest in HKWOT (BVI) Limited as at 30 June 2011 was approximately HK\$56.3 million (as at 31 December 2010: HK\$56.3 million).

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30 June 2011 (as at 31 December 2010: Nil)

## **FOREIGN CURRENCY EXPOSURE**

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars and Renminbi. During the six months ended 30 June 2011, the Group has not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

## **EMPLOYEES**

At 30 June 2011, the Group has 2,174 employees of which 1,978 employees were stationing in the PRC. Competitive remuneration packages are structured to commensurate with the responsibilities, qualifications, experience and performance of individual employee. The Group also provided training programs, provident fund scheme and medical insurance for its employees.

## **PROSPECTS**

Notwithstanding observers generally expected that the economy of the USA may step into the stage of recession and that of Europe will continue to be weak in the near term, the Group remains cautiously optimistic about the prospects of its business by focusing continuously on the strong PRC market.

The four-star rated Rosedale hotel chain comprises four self-owned hotels located in the PRC and the leased-and-operated Rosedale on the Park located in Hong Kong. The Tai Kok Tsui hotel is expected to be completed by the end of 2011. By then, total Rosedale guest rooms shall exceed 2,000 rooms and shall further enhance the Group's four-star hotel network and its place in the PRC and domestic market.

Following the rapid expansion of the "Square Inn" budget hotel chain during 2010, the Group shall concentrate to procure and to operate quality leased-and-operated hotels in the PRC. The Group has currently had approximately sixty "Square Inn" branded hotels in operations, located in the Mainland mainly in decent cities such as Guangzhou and Beijing and sightseeing locations like Wuyishan.

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

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including a review of the unaudited interim financial report for the six months ended 30 June 2011 on the basis that such review does not in itself constitute an audit. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Poon Kwok Hing, Albert, Mr. Kwok Ka Lap, Alva and Mr. Sin Chi Fai.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2011, except for the following deviations:–

### **Code provision A.4.1**

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive directors of the Company are not appointed for a specific term. However, all directors (including executive and independent non-executive directors) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 99 of the Bye-Laws of the Company. As such, the Board considers that this is no less exacting than that in the Code.



## **Code provision E.1.2**

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Cheung Hon Kit, was unable to attend the annual general meeting held on 25 May 2011 as he had other important business engagement. Nevertheless, Ms. Chan Ling, Eva, the Managing Director, attended and took the chair of the annual general meeting in accordance with Bye-Law 68 of the Bye-Laws of the Company and answered questions from the shareholders of the Company.

By Order of the Board  
**Rosedale Hotel Holdings Limited**  
**Cheung Hon Kit**  
*Chairman*

Hong Kong, 31 August 2011

As at the date of this announcement, the Board comprises:–

*Executive Directors:*

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

*Independent Non-executive Directors:*

Mr. Kwok Ka Lap, Alva  
Mr. Poon Kwok Hing, Albert  
Mr. Sin Chi Fai