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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 60% EQUITY INTEREST IN THE TARGET COMPANY AND RESUMPTION OF TRADING

THE DISPOSAL

On 23 November 2018 (after trading hours of the Stock Exchange), the Purchaser and the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Equity at the Consideration of RMB61 million (equivalent to approximately HK\$68.5 million).

Upon Completion, each of the Target Company and the Target Subsidiary will cease to be a subsidiary of the Company, and the Company will cease to have any interest in the Target Group. The financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group following Completion.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further details of the Disposal, (ii) other information as required to be disclosed under the Listing Rules, and (iii) a notice of the SGM, is expected to be despatched to the Shareholders on or before 17 December 2018.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 26 November 2018 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 27 November 2018.

INTRODUCTION

The Board is pleased to announce that on 23 November 2018 (after trading hours of the Stock Exchange), the Purchaser and the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Disposal Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Equity at the Consideration of RMB61 million (equivalent to approximately HK\$68.5 million).

THE DISPOSAL AGREEMENT

The major terms of the Disposal Agreement are set out as follows:

Date:	23 November 2018 (after trading hours of the Stock Exchange)		
Parties:	(1) Vendor:	Shropshire Property Limited 索普物業有限公司, an indirect wholly-owned subsidiary of the Company	
	(2) Purchaser:	洛陽鼎和電力建設有限公司 (Luoyang Dinghe Electric Construction Company Limited#)	

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Purchaser is an Independent Third Party.

The Purchaser is a company established in the PRC with limited liability and is principally engaged in civil engineering construction.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Equity, representing among other matters, 60% equity interest of the Target Company.

Consideration and payment terms

The Consideration is RMB61 million (equivalent to approximately HK\$68.5 million), which shall be settled in cash in the following manners:

1. the Purchaser shall pay RMB21 million (equivalent to approximately HK\$23.6 million) (the “**Deposit**”) to the Vendor (or nominee in the PRC designated by the Vendor) within two Business Days upon signing of the Disposal Agreement; and
2. the Purchaser shall deposit the remaining balance of RMB40 million (equivalent to approximately HK\$44.9 million) (the “**Balance**”) into the Escrow Account within three Business Days upon opening of such account. The Purchaser and the Vendor shall enter into the Escrow Agreement and open the Escrow Account within three Business Days after the Shareholders at the SGM have approved the Disposal Agreement and the transactions contemplated thereunder. The Purchaser shall authorise the Escrow Agent to release the Balance from the Escrow Account and pay to the Vendor (or nominee in the PRC designated by the Vendor) within two Business Days upon completion of the registration of the transfer of the Sale Equity by the Administration for Industry and Commerce of the PRC.

As at the date of this announcement, the Target Company has leased out certain spaces to tenants. Pursuant to the Disposal Agreement, the Vendor has undertaken not to request such tenants for advanced payment of next year’s rent. In the event the Target Company has received any such advanced rental payment, the amount of Consideration payable by the Purchaser to the Vendor shall be reduced accordingly.

Basis of the Consideration

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) 60% of the net asset value of the Target Group as at 30 September 2018 (i.e. approximately RMB33.3 million, equivalent to approximately HK\$37.4 million); (ii) the historical financial performance of the Target Group; and (iii) the future prospect of the Target Group.

The Directors consider the Consideration to be fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Condition precedent

The obligation to proceed with registration of the transfer of Sale Equity with the Administration for Industry and Commerce of the PRC is conditional upon the passing of the necessary resolution(s) by the Shareholders at the SGM approving the Disposal Agreement and the transactions contemplated thereunder. Such condition precedent cannot be waived.

In the event the above condition is not fulfilled on or before 4:00 pm on the day falling six months from the date of the Disposal Agreement (or such other date as may be agreed between the Purchaser and the Vendor in writing), the Disposal Agreement shall cease and determine and subject to the refund of the Deposit (including interest calculated at 5% per annum) to the Purchaser by the Vendor within 10 Business Days. Neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the provisions thereof.

Registration of transfer

The Vendor and the Purchaser shall submit all documents for registration of transfer of the Sale Equity with the Administration of Industry and Commerce of the PRC within 10 Business Days after the Balance has been deposited in the Escrow Account.

Operation and management

Pursuant to the Disposal Agreement, on 29 November 2018, the Vendor shall entrust the Target Group's operation management rights (the "**Management Rights**") to the other existing shareholder of the Target Company, 國網河南省電力公司洛陽供電公司 (State Grid Henan Power Company Luoyang Power Supply Company[#]). The Management Rights shall be officially transferred to the Purchaser upon Completion; whereas the Vendor shall retrieve the Management Rights in case of termination of the Disposal Agreement.

Default

In the event:

- (i) the Sale Equity cannot be transferred due to the fault of the Vendor or the Purchaser;
- (ii) the Vendor's title to the Sale Equity has undisclosed defects; or
- (iii) the registration procedure regarding the transfer of the Sale Equity with the Administration of Industry and Commerce of the PRC cannot be completed due to the fault of the Vendor or the Purchaser,

the non-defaulting party shall be entitled to terminate the Disposal Agreement. If the defaulting party is the Vendor, the Vendor shall refund the Deposit in full to the Purchaser together with an amount equals to the Deposit. If the defaulting party is the Purchaser, the Vendor shall be entitled to forfeit the Deposit. In addition, the non-defaulting party shall be entitled to claim against the defaulting party for an amount equals to 10% of the Consideration as compensation.

Termination

The Disposal Agreement shall be terminated upon:

- (i) mutual agreement by the Vendor and the Purchaser; or
- (ii) the failure to obtain any approval from the relevant authority regarding the Disposal due to the occurrence of force majeure events or policy reasons.

Upon termination of the Disposal Agreement, the Vendor shall within 30 days refund the Deposit to the Purchaser.

INFORMATION OF THE TARGET GROUP

The Target Company

The Target Company is a limited liability company established in the PRC which is principally engaged in the ownership and operation of Luoyang Golden Gulf Hotel (洛陽金水灣大酒店) (the “**Luoyang Hotel**”).

The Target Subsidiary

The Target Subsidiary is a limited liability company established in the PRC, which is a dormant company that has not commenced any business since its establishment. The Target Subsidiary is owned as to 66.67% by the Target Company.

Financial information of the Target Group

Based on the unaudited consolidated management accounts of the Target Group, set out below is the financial information of the Target Group for the two financial years ended 31 December 2017:

	FY2016 <i>RMB'000</i> (unaudited)	FY2017 <i>RMB'000</i> (unaudited)
Revenue	3,740	4,846
Loss before taxation	4,301	4,099
Loss after taxation	4,301	4,099
	As at 31 December	
	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)
Total assets	73,467	69,534
Total liabilities	10,758	11,169
Net assets	62,709	58,365

Based on the unaudited consolidated management accounts of the Target Group, the unaudited net asset value of the Target Group as at 30 September 2018 was approximately RMB55.5 million (equivalent to approximately HK\$62.4 million).

FINANCIAL EFFECT OF THE DISPOSAL

After deducting the estimated expenses attributable to the Disposal of approximately HK\$1.5 million, it is estimated that the Group will record a gain of approximately HK\$29.6 million from the Disposal, being the difference between (i) the Consideration of RMB61 million (equivalent to approximately HK\$68.5 million); and (ii) the 60% of net asset value of the Target Group as at 30 September 2018 (i.e. approximately RMB33.3 million, equivalent to approximately HK\$37.4 million). Shareholders should note that the actual amount of the gain or loss on the Disposal to be recognised in the consolidated financial statements of the Company depends on the net asset/net liability value of the Target Group as at the date of Completion and therefore may be different from the amount mentioned above.

Upon Completion, each of the Target Company and the Target Subsidiary will cease to be a subsidiary of the Company, and the Company will cease to have any interest in the Target Group. The financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group following Completion.

REASONS FOR AND BENEFIT OF THE DISPOSAL AND USE OF PROCEEDS

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

Due to the unsatisfactory occupancy rate of the Luoyang Hotel, the financial performance of the Target Group does not meet the expectation of the Company and net loss has been recorded over the past years. The Company has used its best endeavour to improve operation and performance of the Target Group, but its results did not show sign of improvement. In view of the unsatisfactory financial results and uncertain prospects of the Target Group, the Directors intend to realise the Group's investment in the Target Group rather than allocating further resources to the Target Group. The Directors consider that the Disposal allows more resources to be deployed to operate the three existing hotels in Hong Kong, Guangzhou and Shenyang.

In this connection, the Group expects to use net proceeds from the Disposal of approximately HK\$67.0 million, net of transaction related expenses of approximately HK\$1.5 million, as general working capital of the Group, including administrative expenses and staff costs and/or to meet such investment opportunities as may be identified from time to time.

The Directors consider that the terms of the Disposal Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Disposal as at the date of this announcement. As such, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Disposal, (ii) other information as required to be disclosed under the Listing Rules and (iii) a notice of the SGM, is expected to be despatched to the Shareholders on or before 17 December 2018.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 26 November 2018 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 27 November 2018.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday, Sunday and public holiday) on which authorised banks in the PRC are open for general banking business
“Company”	Rosedale Hotel Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 1189)
“Completion”	completion of the Disposal
“Consideration”	consideration of the Disposal

“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Equity pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 23 November 2018 entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Equity
“Escrow Account”	an escrow bank account opened by the Purchaser and the Vendor (or nominee designated by the Vendor) with the Escrow Agent pursuant to the Escrow Agreement
“Escrow Agent”	China Construction Bank Guangzhou branch
“Escrow Agreement”	an escrow agreement to be entered into by the Purchaser, the Vendor (or nominee designated by the Vendor) and the Escrow Agent
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Purchaser”	洛陽鼎和電力建設有限公司 (Luoyang Dinghe Electric Construction Company Limited [#]), a limited liability company established in the PRC and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	60% equity interest of the Target Company, including the Vendor’s rights under the agreement pursuant to which the Vendor initially purchased the 60% equity interest of the Target Company from its previous holder, the Vendor’s rights under the joint venture agreement relating to the Target Company, and any other rights against the other shareholder of the Target Company
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Disposal Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Luoyang Golden Gulf Hotel Company Limited (洛陽金水灣大酒店有限公司), a limited liability company established in the PRC and owned as to 60% by the Vendor
“Target Group”	together, the Target Company and its subsidiaries from time to time
“Target Subsidiary”	Luoyang Electric Travel Agency Company Limited [#] (洛陽電力旅行社有限公司), a limited liability company established in the PRC and owned as to 66.67% by the Target Company

“Vendor” Shropshire Property Limited 索普物業有限公司, a limited liability company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company

“%” per cent

The English name of the entity/person is the transliteration of the Chinese name and shall not constitute the formal name of the relevant entity/person.

For the purpose of this announcement, unless the context otherwise requires or expressly specified, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1.00 to RMB0.89. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi has been, could have been or may be converted at such or any other rate or at all.

By order of the Board
Rosedale Hotel Holdings Limited
Yap, Allan
Chairman

Hong Kong, 26 November 2018

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

Executive Directors:

Dr. Yap, Allan (*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