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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 2016**

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 2016 together with comparative figures for the corresponding period in 2015 as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2016*

		<b>Six months ended</b>	
		<b>30.6.2016</b>	<b>30.6.2015</b>
	<i>NOTES</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Turnover	3	<b>113,101</b>	109,950
Direct operating costs		<b>(70,750)</b>	(65,451)
Gross profit		<b>42,351</b>	44,499
Interest income	4	<b>17,615</b>	57,918
Other income, gains and losses		<b>1,669</b>	133
Distribution and selling expenses		<b>(832)</b>	(878)
Administrative expenses		<b>(79,823)</b>	(78,839)
Fair value change on investments held for trading		<b>(11,337)</b>	496
Finance costs		<b>(940)</b>	(1,230)
Share of result of a joint venture		<b>(179)</b>	—
Loss on fair value change on investment properties	10	<b>(4,558)</b>	(14,416)
(Loss) profit before taxation	5	<b>(36,034)</b>	7,683
Income tax expense	6	<b>(1,149)</b>	(1,469)
<b>(Loss) profit for the period</b>		<b>(37,183)</b>	6,214

	NOTE	Six months ended	
		30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of financial statements of foreign operations		<u>(13,305)</u>	<u>334</u>
<b>Total comprehensive (expense) income for the period</b>		<b><u>(50,488)</u></b>	<b><u>6,548</u></b>
<b>(Loss) profit for the period attributable to:</b>			
Owners of the Company		(33,105)	5,005
Non-controlling interests		<u>(4,078)</u>	<u>1,209</u>
		<b><u>(37,183)</u></b>	<b><u>6,214</u></b>
<b>Total comprehensive (expense) income for the period attributable to:</b>			
Owners of the Company		(44,996)	5,392
Non-controlling interests		<u>(5,492)</u>	<u>1,156</u>
		<b><u>(50,488)</u></b>	<b><u>6,548</u></b>
<b>(LOSS) EARNINGS PER SHARE</b>	8		
– Basic (HK\$)		<b><u>(0.04)</u></b>	<b><u>0.01</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30.6.2016 HK\$'000 (unaudited)	At 31.12.2015 HK\$'000 (audited)
	NOTES		
<b>Non-current assets</b>			
Property, plant and equipment	9	448,165	470,255
Investment properties	10	220,000	229,000
Interest in a joint venture		–	179
Amount due from a joint venture		27,983	27,983
Deposit paid for a possible acquisition of an investment		–	172,940
Other assets		19,800	19,800
		<u>715,948</u>	<u>920,157</u>
<b>Current assets</b>			
Inventories		2,670	2,491
Trade and other receivables	11	185,473	118,079
Loan notes receivable	12	–	186,578
Financial assets at fair value through profit or loss	13	51,809	14,406
Bank balances and cash		1,682,216	1,436,453
		<u>1,922,168</u>	<u>1,758,007</u>
<b>Current liabilities</b>			
Trade and other payables	14	95,404	90,909
Tax liabilities		77,279	77,389
Borrowings – amount due within one year	15	20,000	10,000
		<u>192,683</u>	<u>178,298</u>
<b>Net current assets</b>		<u>1,729,485</u>	<u>1,579,709</u>
<b>Total assets less current liabilities</b>		<u>2,445,433</u>	<u>2,499,866</u>

	At <b>30.6.2016</b> <i>HK\$'000</i> (unaudited)	At 31.12.2015 <i>HK\$'000</i> (audited)
<b>Non-current liability</b>		
Deferred taxation	<u>50,317</u>	<u>52,223</u>
<b>Net assets</b>	<u><b>2,395,116</b></u>	<u><b>2,447,643</b></u>
<b>Capital and reserves</b>		
Share capital	7,892	7,892
Reserves	<u>2,186,607</u>	<u>2,238,700</u>
Equity attributable to owners of the Company	<b>2,194,499</b>	2,246,592
Non-controlling interests	<u>200,617</u>	<u>201,051</u>
<b>Total equity</b>	<u><b>2,395,116</b></u>	<u><b>2,447,643</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as 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”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and investments held for trading which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

Segment information reported internally 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 operations and securities trading. The information reported to the Group's chief operating decision maker (the "CODM") (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.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Hotel operations – hotel accommodation, food and banquet operation, and rental income; and
2. Securities trading – trading of equity securities.

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

#### For the six months ended 30 June 2016 (unaudited)

	<b>Hotel operations HK\$'000</b>	<b>Securities trading HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Segment turnover</b>			
External sales	<b>113,101</b>	<b>–</b>	<b>113,101</b>
<b>Results</b>			
Segment results	<b>(26,669)</b>	<b>(11,345)</b>	<b>(38,014)</b>
Interest income			<b>17,615</b>
Finance costs			<b>(940)</b>
Other income, gains and losses			<b>1,394</b>
Central administrative costs and other unallocated expenses			<b>(11,531)</b>
Loss on fair value change on investment properties			<b>(4,558)</b>
Loss before taxation			<b>(36,034)</b>

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

	Hotel operations <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment turnover</b>			
External sales	<u>109,950</u>	<u>–</u>	<u>109,950</u>
<b>Results</b>			
Segment results	<u>(19,059)</u>	<u>490</u>	(18,569)
Interest income			57,918
Finance costs			(1,230)
Central administrative costs and other unallocated expenses			(16,020)
Loss on fair value change on investment properties			<u>(14,416)</u>
Profit before taxation			<u>7,683</u>

Segment result represents the (loss) profit incurred by each segment without allocation of central administrative costs and other unallocated expenses, other unallocated income, interest income, finance costs, share of result of an associate, share of result of a joint venture, gain on disposal of a subsidiary and decrease in fair value of investment properties. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

**4. INTEREST INCOME**

	<b>Six months ended</b>	
	<b>30.6.2016</b>	<b>30.6.2015</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income on:		
Bank deposits and others	<b>495</b>	957
Effective interest on loan notes ( <i>note 12</i> )	<b>8,749</b>	26,761
Reversal of effective interest recognised upon initial recognition for the early repayment portion ( <i>note 12</i> )	<u><b>8,371</b></u>	<u>30,200</u>
	<u><b>17,615</b></u>	<u>57,918</u>

## 5. (LOSS) PROFIT BEFORE TAXATION

Six months ended	
30.6.2016	30.6.2015
HK\$'000	HK\$'000
(unaudited)	(unaudited)

(Loss) profit before taxation has been arrived at after charging:

Depreciation of property, plant and equipment	15,681	17,152
Loss on write-off of property, plant and equipment	29	—
Minimum lease payments in respect of rented premises	19,076	18,099

and after crediting:

Bank and other interest income	17,615	57,918
Gain on disposal of property, plant and equipment	—	8
	<u>          </u>	<u>          </u>

## 6. INCOME TAX EXPENSE

Six months ended	
30.6.2016	30.6.2015
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Income tax expense comprises:

Current tax:		
PRC Enterprise Income Tax	(2,141)	(2,540)
Deferred tax:		
Current period	992	1,071
	<u>          </u>	<u>          </u>
Income tax expense	<u>(1,149)</u>	<u>(1,469)</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 tax 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.



## 7. DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil).

## 8. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30.6.2016</b>	<b>30.6.2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss) earnings for the purpose of basic (loss) earnings per share		
(Loss) earnings for the period attributable to owners of the Company	<b>(33,105)</b>	<b>5,005</b>
	<b><u>789,211,046</u></b>	<b><u>673,668,435</u></b>
	<b>Number of shares</b>	
Number of ordinary shares in issue during the period for the purpose of basic (loss) earnings per share for the period	<b>789,211,046</b>	<b>673,668,435</b>

There were no potential ordinary shares outstanding during the six months ended 30 June 2016 and 2015.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3,256,000 (for the six months ended 30 June 2015: HK\$533,000) on acquisition of property, plant and equipment of which approximately HK\$2,099,000 (for the six months ended 30 June 2015: HK\$124,000) was in relation to leasehold improvement for hotel properties.

Besides, the directors of the Company have also reviewed the recoverability of the carrying amount of the Group's certain hotel properties with reference to their fair values at 30 June 2016, which have been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group and a member of the Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar properties in relevant locations. The valuation was arrived at the comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. No impairment loss was recognised in relation to the impairment testing carried out for the certain hotel properties of the Group as their fair values determined in this manner were estimated to be higher than their carrying amounts.

## 10. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of investment properties in the PRC at 30 June 2016 has been arrived at on the basis of a valuation carried out on that date by Norton Appraisals Limited, an independent qualified professional valuer not connected with the Group and a member of the Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and location of the subject properties.

During the period ended 30 June 2016, loss on fair value change in investment properties of HK\$4,558,000 (for the six months period ended 30 June 2015: loss on fair value in investment of HK\$14,416,000), was recognised in profit or loss.

## 11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$5,080,000 (31 December 2015: HK\$5,367,000). The following is an analysis of trade receivables by age, presented based on invoice date which approximate the revenue recognition date:

	At 30.6.2016 <i>HK\$'000</i> (unaudited)	At 31.12.2015 <i>HK\$'000</i> (audited)
0 – 30 days	4,349	4,491
31 – 60 days	570	399
61 – 90 days	41	382
Over 90 days	120	95
	<u>5,080</u>	<u>5,367</u>

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

On 31 December 2014, the Company and two independent third parties (the “Third Parties”) entered into agreements, pursuant to which the Company agreed to provide a short term interest-free advance of HK\$75 million (the “Advance”) to the Third Parties for lending to a target group in order to facilitate an acquisition of the entire equity interest in a PRC Company which is an entity established under the laws of the PRC and is principally engaged in property leasing and management, and owns a parcel of land in Zhuhai, the PRC. The Advance shall be repaid on the date which is three months from the date of the Advance. The repayment date of the Advance was further extended to 31 December 2016. Further details of the Advance are disclosed in the Company’s announcements dated 31 March, 30 June, 30 September, 30 December 2015 and 30 April 2016.

Included in the other receivables balances at 30 June 2016 were prepaid rentals, utilities and other deposits to certain independent third parties in total of HK\$9,341,000 in relation to hotels operating in the PRC (31 December 2015: HK\$4,021,000).

Included in the other receivables balances at 30 June 2016 were loan receivables of HK\$72,000,000 (31 December 2015: nil) represented loans to independent third parties with repayment terms within one year and interest bearing from 5% to 9% (31 December 2015: nil) per annum. In the opinion of the directors of the Company, the amounts are neither past due nor impaired have good credit quality at the end of the reporting period with reference to past settlement history.

## **12. LOAN NOTES RECEIVABLE**

Following the completion of the disposal of the entire equity interest in and shareholder's loan due from Eagle Spirit Holdings Limited and Makerston Limited on 15 December 2014, the Group received the loan notes with principal amount of HK\$500,000,000 issued by ITC Properties Group Limited ("ITCP") as part of the total consideration. The loan notes bear coupon interest at 5% per annum (payable semi-annually in arrears), and with maturity period of 2 years on 14 December 2016. At initial recognition, the fair value of the loan notes were determined based on the valuation report issued by an independent professional valuers, which was measured at the present value of contractual future cash flows discounted at the effective interest rate of 12.9% per annum, taking into account the credit standing of ITCP and the remaining time to maturity. Pursuant to the terms of the loan notes, ITCP has an option to early redeem the loan notes at par plus accrued outstanding interest. Based on the valuation report performed by the independent professional valuers and in the opinion of the Directors, the fair value of such early redemption option was insignificant.

On 23 June 2015, ITCP redeemed part of the loan notes with principal amount of HK\$300,000,000 at par and settled the accrued interests accordingly. Hence, the relevant imputed interest of HK\$30,200,000 recognised upon initial recognition for the period from the date of redemption to the maturity date of such redeemed loan notes was reversed.

During the period ended 30 June 2016, ITCP further redeemed the remaining loan notes with principal amount of HK\$50,000,000, HK\$75,000,000 and HK\$75,000,000 at par and settled the accrued interests on 6 April 2016, 11 May 2016 and 14 June 2016, respectively. Hence, the relevant imputed interest of HK\$8,371,000 recognised upon initial recognition for the period from the date of redemption to the maturity date of such redeemed loan notes was reversed.

The movement of the loan notes receivable for the six months ended 30 June 2016 is set out below:

	<i>HK\$'000</i>
At 31 December 2014 (audited)	435,281
Effective interest recognised in profit or loss	38,248
Reversal of effective interest recognised upon initial recognition for the early repayment portion	30,200
Coupon interest received	(17,151)
Early repayment	(300,000)
	<hr/>
At 31 December 2015 (audited)	186,578
Effective interest recognised in profit or loss	8,749
Reversal of effective interest recognised upon initial recognition	8,371
Coupon interest received	(3,698)
Early repayment	(200,000)
	<hr/>
At 30 June 2016	–
	<hr/> <hr/>

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At <b>30.6.2016</b> <i>HK\$'000</i> (unaudited)	At 31.12.2015 <i>HK\$'000</i> (audited)
Held for trading at fair value:		
Equity securities listed in Hong Kong	<b>51,809</b>	14,406
	<hr/> <hr/>	<hr/> <hr/>

The fair value as based on the quoted price of the respective securities in active markets.

At 30 June 2016 and 31 December 2015, no investments held for trading have been pledged security.

#### 14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$6,765,000 (31 December 2015: HK\$5,905,000), the following is an analysis of trade payables by age, presented based on invoice date:

	At 30.6.2016 HK\$'000 (unaudited)	At 31.12.2015 HK\$'000 (audited)
0 – 30 days	3,536	3,037
31 – 60 days	1,710	1,128
61 – 90 days	781	848
Over 90 days	738	892
	<u>6,765</u>	<u>5,905</u>

Included in other payables at 30 June 2016 are balances as follows:

- (a) Deposits received of approximately HK\$9,802,000 (31 December 2015: HK\$11,679,000) from shop tenants in the hotel properties.
- (b) Accrual for direct operating and administrative expenses amounting to approximately HK\$37,455,000 (31 December 2015: HK\$38,025,000) that are expected to be settled within one year.
- (c) Advance receipt from customers of approximately HK\$7,855,000 (31 December 2015: HK\$3,591,000).

#### 15. BORROWINGS

The borrowings carry interest rate at 2.5% over the Hong Kong Interbank Offered Rate and are repayable in instalment over a period of 5 years.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

The first six months of 2016 have been challenging. Hong Kong has been impacted by the declines in tourism and high-end retail spending and a softening in the high-end residential market. There have also been challenges with unfortunate terrorist events affecting tourism and businesses in global markets, as well as political uncertainty from the “Brexit” vote. The People’s Republic of China (the “PRC”) also, as weighed down by sluggish demand at home and abroad, industrial overcapacity and faltering investment, its Gross Domestic Product (GDP) for the first six months of 2016 slowed to 6.7%, reflecting a negative growth of about 0.2% as compared to 2015. In the meanwhile, Hong Kong’s economy expanded moderately by 1.2% year on year and the GDP for 2016 is forecast to grow by 1% to 2% in real terms, as adjusted downwards due to the slowdown in the local economy. Visitor arrivals to Hong Kong further decreased by 7.4%, after dropping by 2.5% in 2015, which accounting for around 75% of the total were visitors from Mainland China, and those visitors from Mainland China also further declined by 10.6%, after dropping by 3% in 2015, based on the information published by the Hong Kong Tourism Board.

### **FINANCIAL REVIEW**

Despite the challenging business environment encountered by the tourism industry in the period under review, the Group has maintained steady revenue in respect of its overall business operations. During the current interim period, turnover of the Group attained HK\$113.1 million, represented an increase of 2.9% as compared to HK\$109.9 million for the corresponding period in 2015. The gross profit of the Group was HK\$42.4 million (2015: HK\$44.5 million) with maintaining the gross profit margin of 37.4% (2015: 40.5%). The results of the Group for the six months ended 30 June 2016 was a loss of HK\$37.2 million (2015: profit of HK\$6.2 million) which was mainly attributable to gross profit of HK\$42.4 million (2015: HK\$44.5 million); administrative expenses of HK\$79.8 million (2015: HK\$78.8 million); distribution and selling expenses of HK\$0.8 million (2015: HK\$0.9 million); finance costs of HK\$0.9 million (2015: HK\$1.2 million); decrease in fair value on investments held for trading of HK\$11.3 million (2015: increase of HK\$0.5 million); decrease in fair value on investment properties of HK\$4.6 million (2015: HK\$14.4 million); share of loss from a joint venture of HK\$0.2 million (2015: nil) and income tax expense of HK\$1.1 million (2015: HK\$1.5 million), partially offset by interest income of HK\$17.6 million (2015: HK\$57.9 million); and other income of HK\$1.7 million (2015: HK\$0.1 million).

## **BUSINESS REVIEW**

### **Hotel Investment**

The hotel investment of the Group comprises three “Rosedale” branded 4-star rated hotels located in Hong Kong, Guangzhou and Shenyang and the Luoyang Golden Gulf Hotel. Overall turnover increased by 2.9% to HK\$113.1 million for the six months ended 30 June 2016 (2015: HK\$109.9 million). With the setback encountered by the tourism industry in the period under review, the combined average occupancy rate of our hotels was slightly increased by 4.4% to 69.8% for the six months ended 30 June 2016 (2015: 65.4%) which was mainly due to the fact that the combined average room rate was overall dropped. If the operational figures of our hotels are only compared with those of other comparable hotels in similar categories, their performance will be in line with market averages. To combat the competitive environment, the Group will continue to invest resources to enhancing its market network and positioning and, in the meantime, will further streamline its business operations to contain costs.

### **Securities Trading**

The segment recorded a loss of HK\$11.3 million for the six months ended 30 June 2016 (2015: gain of HK\$0.5 million), representing fair value loss on investments held for trading, as a result of mark to market valuations as at the balance sheet date.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

On 31 December 2014, the Company entered into a framework agreement (“Framework Agreement”) with two independent third parties (the “Vendors”) in relation to the possible acquisition of 51% equity interests in a company owned by the Vendors (the “Possible Acquisition”). Pursuant to the Framework Agreement, among other things, (i) an exclusivity period of three months after the date of the Framework Agreement was granted to the Company; and (ii) the Company and the Vendors shall enter into a loan agreement for a short term interest free loan of HK\$75 million (the “Loan Agreement”) to facilitate the Vendors to the acquisition of the entire entity interest in a PRC registered company (the “PRC Company”) from all its existing shareholders. The PRC Company owns a parcel of land in Zhuhai, the PRC with a site area of 19,152.69 square metres. The PRC Company also owns a hotel property on the aforesaid land known as Zhuhai Lizhou Holiday Hotel. On 31 March 2015, 30 June 2015, 30 September 2015, 30 December 2015 and 30 April 2016, supplemental framework agreements and extension letters were signed to further extend the exclusivity period and the repayment date of the Loan Agreement to 30 June 2015, 30 September 2015, 31 December 2015, 29 April 2016 and 31 December 2016, respectively. Further details of the Possible Acquisition are disclosed in the Company’s announcements dated 31 December 2014, 31 March 2015, 30 June 2015, 30 September 2015, 30 December 2015 and 30 April 2016. No formal agreement has been entered into between the Company and the Vendors up to the date of this announcement.

On 2 July 2015, the Company and an independent third party (the “JV Partner”) entered into a memorandum of understanding (the “MOU”), relating to possible investment in a hotel located in Canada (the “Possible Investment”). The Company paid a refundable earnest money of approximately HK\$172.9 million (the “Earnest Money”) to the JV Partner. The expiry date of the MOU was 31 July 2015. On 31 July 2015, 31 August 2015, 25 September 2015, 30 November 2015 and 29 January 2016, the Company and the JV Partner further entered into letters of extension to extend the expiry date of the MOU to 31 August 2015, 30 September 2015, 30 November 2015, 29 January 2016 and 29 April 2016, respectively. On 27 April 2016, the Company decided not to proceed with the Possible Investment and executed a deed of termination with the JV Partner. The Earnest Money was fully refunded to the Company subsequently. Further details of the Possible Investment are disclosed in the Company’s announcements dated 2 July 2015, 31 July 2015, 31 August 2015, 25 September 2015, 30 November 2015, 29 January 2016 and 27 April 2016.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2016, the total borrowings amounted to HK\$20 million (31 December 2015: HK\$10 million). All borrowings bear floating interest rates. The gearing ratio as at 30 June 2016, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was approximately 0.8% (31 December 2015: 0.4%).

Approximately 94.5% of the Group’s cash and bank balances and investments held for trading were denominated in Hong Kong dollar and United States dollar, 3% were in Renminbi and the balance of 2.5% were in other currencies. All of the Group’s borrowings were in Hong Kong dollar.

## **PLEDGE OF ASSETS**

The Group did not have any assets pledged for credit facilities as at each of 30 June 2016 and 31 December 2015.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at each of 30 June 2016 and 31 December 2015.



## **FOREIGN CURRENCY RISK MANAGEMENT**

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 2016, the Group has not entered into any hedging arrangements. However, the Group will actively consider the use of relevant financial instruments to manage currency exchange risks in line with our business development.

## **INTEREST RATE RISK MANAGEMENT**

During the six months ended 30 June 2016, the Group was not subject to the risk of significant interest rate volatility. The Company will continue to monitor the interest rate markets and actively consider the application of relevant financial instruments to manage risks associated with interest rates.

## **EMPLOYEE AND REMUNERATION POLICY**

At 30 June 2016, the Group had 673 employees of which 545 employees were stationed in the PRC. Employees' remuneration packages were determined in accordance with individual's responsibility, competence and skills, qualifications, experience and performance as well as market pay-level. Staff benefits include training programs, provident fund scheme, medical insurance and other competitive fringe benefits.

To provide incentives and rewards to employees, the Company has adopted a share option scheme for the eligible participants (including employees).

## **PROSPECTS**

The philosophy and strategy of the Group is focused on the development and maintenance of the portfolio of hotels and other assets for the long term. This provides the vision to make decisions that are in the best long term interests of the Company and its shareholders and the staying power to ride through shorter term cycles in the economy. The first half of this year has been mixed conditions in some of our key hotel markets. Under the volatile economic, political and social security circumstances given, it is a constant challenge to drive revenues, control costs and maintain or improve our operating margins. However, we believe that our hotels remain well placed in the markets that they operate and we expect to perform in line with expectations in the traditional autumn high season. Overall with the Company in a strong financial position, as well as high quality and conservatively valued assets in its balance sheet and a modest level of gearing, we remain optimistic that we are continuing to chart a course which maximize the quality and value of our assets and deliver long-term returns to our shareholders.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee of the Company has reviewed with the management and auditor of the Company, Messrs. Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

## **CORPORATE GOVERNANCE**

In the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Government Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2016, except for the following:

### **Code Provision A.4.1**

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

### **Code Provision E.1.2**

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Company, Dr. Yap, Allan, was unable to attend the annual general meeting held on 31 May 2016 (the “2016 AGM”) as he had other business engagement. Nevertheless, Ms. Chan Ling, Eva, the Managing Director of the Company, attended and took the chair of the 2016 AGM in accordance with Bye-Law 68 of the Bye-Laws and answered questions from shareholders of the Company.

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

Hong Kong, 29 August 2016

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