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 2018

The board ("Board") of directors ("Directors") of Rosedale Hotel Holdings Limited ("Company") announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as "Group") for the six months ended 30 June 2018 together with comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**127,568**	117,834
Direct operating costs		**(77,733)**	(73,244)
Gross profit		**49,835**	44,590
Interest income		**1,909**	4,235
Other income, gains and losses		**180**	683
Distribution and selling expenses		**(672)**	(543)
Administrative expenses		**(75,172)**	(59,942)
Equity-settled share-based payment expenses		**–**	(13,715)
Fair value loss on investments held for trading		**(7,179)**	(24,130)
Impairment loss recognised in respect of property, plant and equipment	*8*	**–**	(14,772)
Fair value loss on investment properties	*9*	**(12,253)**	(16,244)
Finance costs		**(207)**	(637)

	NOTES	Six months ended 30 June **2018** ***HK$'000*** **(unaudited)**	 2017 *HK$'000* (unaudited)
Loss before tax	*4*	**(43,559)**	(80,475)
Income tax expense	*5*	**(1,733)**	(2,113)
Loss for the period		**(45,292)**	(82,588)
Other comprehensive (expense) income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		**(8,283)**	23,067
Total comprehensive expense for the period		**(53,575)**	(59,521)
Loss for the period attributable to:			
Owners of the Company		**(42,632)**	(77,760)
Non-controlling interests		**(2,660)**	(4,828)
		(45,292)	(82,588)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(49,554)**	(58,274)
Non-controlling interests		**(4,021)**	(1,247)
		(53,575)	(59,521)
LOSS PER SHARE	*7*		
Basic *(HK$)*		**(0.05)**	(0.10)
Diluted *(HK$)*		**(0.05)**	(0.10)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**30 June 2018 *HK$'000* (unaudited)**	31 December 2017 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*8*	**376,149**	401,111
Investment properties	*9*	**150,000**	164,000
Other asset		**19,800**	19,800
		545,949	584,911
Current assets			
Inventories		**2,411**	2,556
Trade and other receivables	*10*	**52,008**	62,899
Investments held for trading	*11*	**14,647**	22,343
Bank balances and cash		**1,795,571**	1,801,383
		1,864,637	1,889,181
Current liabilities			
Trade and other payables	*12*	**94,541**	108,189
Contract liabilities		**5,300**	–
Tax liabilities		**78,066**	76,874
		177,907	185,063
Net current assets		**1,686,730**	1,704,118
Total assets less current liabilities		**2,232,679**	2,289,029
Non-current liability			
Deferred taxation		**38,379**	41,154
Net assets		**2,194,300**	2,247,875
Capital and reserves			
Share capital		**7,892**	7,892
Share premium and reserves		**1,998,773**	2,048,327
Equity attributable to owners of the Company		**2,006,665**	2,056,219
Non-controlling interests		**187,635**	191,656
Total equity		**2,194,300**	2,247,875

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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"). The condensed consolidated financial statements do not include all the information required for a complete set of Hong Kong Financial Reporting Standards financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

3. SEGMENT INFORMATION

Segment information reported internally is 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 of the Company) for the purposes of resource allocation and assessment of performance is focused on these operating divisions.

Specifically, the Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

1. Hotel operations – hotel accommodation, food and banquet operation, and rental income from rentals of shop units situated in the hotels of the Group and from rentals of investment properties; and

2. Securities trading – trading of equity securities.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

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

For the six months ended 30 June 2018 (unaudited)

	Hotel operations *HK$'000*	**Securities trading** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**127,568**	**–**	**127,568**
RESULTS			
Segment loss excluding fair value loss on investments held for trading	**(16,259)**	**(549)**	**(16,808)**
Fair value loss on investments held for trading	**–**	**(7,179)**	**(7,179)**
Segment loss	**(16,259)**	**(7,728)**	**(23,987)**
Directors' emoluments			**(1,909)**
Interest income			**1,909**
Fair value loss on investment properties			**(12,253)**
Finance costs			**(207)**
Central administrative costs and other unallocated corporate expenses			**(7,112)**
Loss before tax			**(43,559)**

For the six months ended 30 June 2017 (unaudited)

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
REVENUE	117,834	–	117,834
RESULTS			
Segment (loss) profit excluding impairment loss recognised in respect of property, plant and equipment and fair value loss on investments held for trading	(7,293)	1,093	(6,200)
Impairment loss recognised in respect of property, plant and equipment	(14,772)	–	(14,772)
Fair value loss on investments held for trading	–	(24,130)	(24,130)
Segment loss	(22,065)	(23,037)	(45,102)
Directors' emoluments			(5,965)
Interest income			4,235
Fair value loss on investment properties			(16,244)
Finance costs			(637)
Central administrative costs and other unallocated corporate expenses			(16,762)
Loss before tax			(80,475)

Segment loss represents the loss from each segment without allocation of directors' emoluments, interest income, finance costs, fair value loss on investment properties and central administrative costs and other unallocated corporate expenses. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

4. LOSS BEFORE TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**19,919**	18,459
Impairment loss recognised in respect of property, plant and equipment	**–**	14,772
Loss on disposal of property, plant and equipment	**2**	7
Equity-settled share-based payment expenses	**–**	13,715
Minimum lease payments in respect of rented premises	**19,319**	19,394
Bank and other interest income	**(1,909)**	(4,235)

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Income tax expense comprises:		
Current tax:		
People's Republic of China (the "PRC") Enterprise Income Tax	**(3,987)**	(3,878)
Deferred tax:		
Current period	**2,254**	1,765
	(1,733)	(2,113)

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.

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.

6. DIVIDENDS

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(42,632)**	(77,760)
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share for the period	**789,211,046**	789,211,046

The computation of diluted loss per share for both periods does not assume the exercise of the Company's outstanding share options as at 30 June 2018 and 30 June 2017 since their assumed exercise would result in a decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$346,000 (six months ended 30 June 2017: HK$3,409,000) on acquisition of property, plant and equipment of which nil (six months ended 30 June 2017: HK$1,691,000) was in relation to leasehold improvement for hotel properties.

The related part of note 8 to the condensed consolidated financial statements in relation to the emphasis of matter is extracted as follow:

Rosedale Hotel Guangzhou Co., Ltd. ("Rosedale Guangzhou")

Included in the hotel properties in the PRC is a hotel property of approximately HK$141,093,000, net of accumulated impairment loss of HK$6,322,000 (31 December 2017: HK$152,305,000, net of accumulated impairment loss of HK$6,322,000) situated in Guangzhou, in which the Group holds land use rights and property right of the hotel property for a term expiring in January 2037, under the name of Rosedale Guangzhou.

Pursuant to a co-operative agreement between Allied Glory Investment Limited ("Allied Glory"), an indirect non-wholly owned subsidiary of the Company, and the minority shareholder (the "PRC Partner") of Rosedale Guangzhou, the co-operative period for Rosedale Guangzhou is 50 years commencing from 15 January 1987.

Rosedale Guangzhou is a sino-foreign co-operative joint venture incorporated in the PRC and its major asset is a hotel property located in Guangzhou (the "Rosedale Guangzhou Hotel"), which it owns and operates. The rights and ownership of Rosedale Guangzhou Hotel would be transferred to the PRC Partner upon the completion of the co-operative period. Pursuant to the approval issued by the Foreign Economic and Trade Commission (the "FETC"), Rosedale Guangzhou was granted an initial co-operative period of 30 years and such approval also stated that, subject to the satisfaction of certain conditions, the co-operative period could be extended for a further period of time but not more than 20 years. Rosedale Guangzhou was then granted a business licence with a period of 30 years which expired on 15 January 2017. Upon expiry of the business licence, the PRC Partner refused to cooperate with Allied Glory to jointly apply for the extension of the business licence to 15 January 2037.

Allied Glory applied for an arbitral award (the "Arbitral Award") to restate the co-operative period to 50 years and require the PRC Partner to cooperate in the application process of the relevant licence of Rosedale Guangzhou for an extension to 15 January 2037.

On 3 May 2017, Allied Glory received an Arbitral Award issued by the China International Economic and Trade Arbitration Commission (the "CIETAC") pursuant to which the co-operative period for Rosedale Guangzhou under the co-operative agreement made shall be extended until 15 January 2027 and the PRC Partner shall provide all necessary assistance to Rosedale Guangzhou in the application process for extending its business licence.

The Arbitral Award, being a final award, took effect on the date of issue and is legally binding on all parties to the arbitration. The PRC Partner had, however, refused and/or failed to cooperate with Allied Glory to apply for such extension. Allied Glory then submitted an application to the Guangzhou Intermediate People's Court (the "Intermediate Court") for enforcement of the Arbitral Award and the application was accepted by the Intermediate Court in July 2017. The Intermediate Court directed such application to Guangzhou Haizhu Court which subsequently issued an execution order (the "Execution Order") to Bureau of Guangzhou Haizhu Industry and Information Technology ("海珠區科技工業商務和信息化局") and Bureau of Guangzhou Haizhu Market and Quality Supervision ("廣州市海珠區市場和質量監督管理局") on 14 September 2017 enabling Allied Glory to apply for the relevant business licence. On 30 November 2017, the Execution Order was suspended due to the fact that, based on the reply from the Bureau of Guangzhou Haizhu Market and Quality Supervision, the unilateral application for the extension of the business licence could not proceed as it is subject to further re-submission with relevant extension documents.

Management of the Group is currently taking appropriate steps to enforce the Arbitral Award in accordance with all applicable laws and regulations. As of the date of this announcement, the renewal of the business licence is still being held up by the PRC Partner and cannot be further proceeded. Management is in the process of evaluating certain legal options so as to obtain the extension of the business licence. However, should the Group be unable to successfully extend the business licence period, the hotel operations of Rosedale Guangzhou may be affected and further impairment of the hotel property and related assets may be required.

9. MOVEMENTS IN INVESTMENT PROPERTIES

The fair value of the Group's investment properties as at 30 June 2018 has been arrived at on the basis of a valuation carried out on that date by Norton Appraisals Holdings Limited, an independent qualified professional valuer not connected to 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. The resulting decrease in fair value of investment properties of HK$12,253,000 has been recognised directly in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$16,244,000).

10. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade receivables by age, presented based on the invoice date which approximated the revenue recognition date:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**5,121**	6,222
31 – 60 days	**822**	637
61 – 90 days	**497**	150
Over 90 days	**670**	86
	7,110	7,095

11. INVESTMENTS HELD FOR TRADING

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Listed securities		
Equity securities listed in Hong Kong	**4,984**	8,668
Equity securities listed in overseas	**9,663**	13,675
	14,647	22,343

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

At 30 June 2018 and 31 December 2017, no investments held for trading have been pledged as security.

12. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0 – 30 days	**2,613**	3,485
31 – 60 days	**827**	796
61 – 90 days	**619**	528
Over 90 days	**790**	1,136
	4,849	5,945

The credit period on purchases of goods ranged from 30 to 60 days.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

For the first six months of 2018, the hotel market continued to recover steadily but great market volatility and uncertainties in the global financial markets emerged every time the United States President Trump announced new political views and economic measures, such as the outbreak of trade war following the impositions of tariff by the United States on European Union, Canada and China and the positions taken in respect of the tension between North Korea and the United States, as well as unfortunate terrorist events affecting tourism and hotel businesses in global markets. Under these overall economic circumstances given, it is a constant challenge to drive revenues, control costs and maintain or improve our operating margins.

Despite signs of stabilisation, operating environment remained challenging as the pressures posed by the global economic downturn and the continued economic transition in the People's Republic of China (the "PRC") are set to linger. The GDP of the PRC advanced 6.8% year-on-year in 2018, reflecting a decrease of about 0.1% as compared to 2017. In the meanwhile, Hong Kong's economy expanded moderately by 4.0% year-on-year and its GDP for 2018 is expected to grow by 3.0% to 4.0% in real terms, as adjusted downwards due to the slowdown in the local economy. In view of the first half of 2018, total visitors arrivals to Hong Kong amounted to approximately 30.6 million, representing an increase of 10.1%, after rising by 3.2% in 2017, which accounting for 77.4% of the total were visitors from the PRC. Of the total visitors arrivals, overnight visitors accounted for approximately 13.9 million, which was an increase of 6.2% when compared on a year-on-year basis. The average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the six months ended 30 June 2018 was 91.0%, representing an increase of 4.0% as compared to year-on-year in 2017.

FINANCIAL REVIEW

Given the challenging business environment, but with the gradual recovery in the tourist markets, the Group had reported stable business development with steady performance in respect of its overall hotel investment during the period under review. Revenue of the Group attained HK$127.6 million for the six months ended 30 June 2018, representing an increase of 8.3% as compared to HK$117.8 million for the six months ended 30 June 2017. The results of the Group for the six months ended 30 June 2018 was a loss of HK$45.3 million (Six months ended 30 June 2017: loss of HK$82.6 million) which was mainly attributable to gross profit of HK$49.8 million (Six months ended 30 June 2017: gross profit of HK$44.6 million); administrative expenses of HK$75.2 million (Six months ended 30 June 2017: HK$60.0 million); distribution and selling expenses of HK$0.7 million (Six months ended 30 June 2017: HK$0.5 million); finance costs of HK$0.2 million (Six months ended 30 June 2017: HK$0.7 million); equity-settled share-based payment expenses of nil (Six months ended 30 June 2017: HK$13.7

million); impairment loss recognised in respect of property, plant and equipment of nil (Six months ended 30 June 2017: HK$14.8 million); fair value loss on investment properties of HK$12.3 million (Six months ended 30 June 2017: HK$16.2 million); fair value loss on investments held for trading of HK$7.2 million (Six months ended 30 June 2017: HK$24.1 million); and income tax expense of HK$1.7 million (Six months ended 30 June 2017: HK$2.1 million), partially offset by interest income of HK$1.9 million (Six months ended 30 June 2017: HK$4.2 million); and other income of HK$0.2 million (Six months ended 30 June 2017: HK$0.7 million).

The performance of the Group's hotels and securities trading during the period under review, the commentary on the hotel sector and the changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the succeeding sections headed "Business Review" and "Prospects".

BUSINESS REVIEW

A. *Hotel Investment*

The hotel investment segment comprises three "Rosedale" branded 4-star rated hotels located in Hong Kong, Guangzhou and Shenyang and the Luoyang Golden Gulf Hotel. Overall revenue generated from hotel investment increased by 8.3% to HK$127.6 million for the six months ended 30 June 2018 (Six months ended 30 June 2017: HK$117.8 million). The combined average occupancy rate of the Group slightly decreased by 1.9% to 72.2% for the six months ended 30 June 2018 (Six months ended 30 June 2017: 74.1%). 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. The gross margin was maintained at 39.1% or increased by 1.3% when compared with the corresponding period in 2017 of 37.8%. 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 efficiently.

B. *Securities Trading*

The segment recorded a loss of HK$7.7 million for the six months ended 30 June 2018 (Six months ended 30 June 2017: segment loss of HK$23.0 million), mainly representing fair value loss of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in this section and the succeeding section headed "Prospects".

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 December 2014, the Company entered into a framework agreement (the "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, 30 April 2016, 29 December 2016 and 22 June 2017, 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, 31 December 2016, 30 June 2017 and 31 December 2017, respectively. No formal agreement was entered into between the Company and the Vendors by 31 December 2017, the Framework Agreement (as supplemented by the aforesaid supplemental framework agreements) lapsed on 1 January 2018. Pursuant to the Loan Agreement (as supplemented by the aforesaid extension letters), the interest free loan of HK$75 million was repayable on 31 December 2017. On 29 December 2017, the Venders had repaid it in full to the Company. 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, 30 April 2016, 29 December 2016, 22 June 2017 and 2 January 2018.

On 27 December 2017, the Company and independent third parties (the "Vendors") entered into a share transfer agreement (the "Agreement"), relating to a proposed acquisition (the "Acquisition") of the entire registered capital of a limited liability company established in the PRC (the "Target") at a consideration of RMB280 million (the "Consideration", equivalent to approximately HK$334 million). The Company paid the first instalment of the Consideration of RMB20 million (equivalent to approximately HK$24 million) to the Vendors. The principal asset of the Target is a resort property located at Guangdong Province, which is an area with hot springs and forest in the proximity (the "Resort Property"). The Resort Property occupies a site area of about 5,000 mu, of which 980 mu are for residential use, 2,200 mu are for commercial use and 1,820 mu are for amenities. Pursuant to the Agreement, the completion of the

Acquisition was conditional upon the fulfilment of a number of conditions by 30 April 2018. The Vendors, however refused and failed to cooperate with the Company during the due diligence process, and as a result, the Company's legal and financial due diligence on the Target could not be finalised. On 27 April 2018, the Company has completed submitting the application to the Guangzhou Arbitration Commission for arbitration of the matter, seeking an arbitral award that, among other things, (i) the Vendors continue fulfilling the obligations under the Agreement; (ii) the Vendors to cooperate with the Company and provide all necessary documents and information in order to complete the due diligence work pursuant to the Agreement; (iii) the Vendors to cooperate with the Company to complete all conditions precedent to the Agreement on or before 30 October 2018; and (iv) the Vendors to pay the default penalty under the Agreement and the legal costs incurred to the Company. At the same time, the Company has also been served an arbitration application (which together with the arbitration application lodged by the Company as set out above shall be referred to as (the "Arbitration Applications") lodged by the Vendors demanding (i) termination of the Agreement; and (ii) payment by the Company for default penalty together with legal costs and arbitration fee. Further details of the Acquisition are set out in the announcements of the Company dated 29 December 2017, 22 January 2018, 15 February 2018, 9 March 2018, 28 March 2018, and 27 April 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group's cash and bank balances and investments held for trading amounted to HK$1,810.2 million (31 December 2017: HK$1,823.7 million). The Group has no borrowings as at each of 30 June 2018 and 31 December 2017.

The Group's current assets and current liabilities as at 30 June 2018 were HK$1,864.6 million and HK$177.9 million (31 December 2017: HK$1,889.1 million and HK$185.1 million), respectively. As a result, the current ratio of the Group as at 30 June 2018 was 10.5 (31 December 2017: 10.2). The gearing ratio as at 30 June 2018, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was nil (31 December 2017: nil).

PLEDGE OF ASSETS

The Group did not have any assets pledged for credit facilities as at each of 30 June 2018 and 31 December 2017.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at each of 30 June 2018 and 31 December 2017.

FOREIGN CURRENCY EXPOSURE

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollar and Renminbi. During the six months ended 30 June 2018, 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 EXPOSURE

During the six months ended 30 June 2018, 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 2018, the Group had 623 employees of which 506 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

Looking ahead, in order for the tourism industry to continue to develop in a vigorous way, the support from the Hong Kong Government and its continuing commitment to invest in infrastructural developments are most extremely important. The 2 mega infrastructure projects, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (the "Express Rail Link") and the Hong Kong-Zhuhai-Macao Bridge (the "HZM Bridge") are scheduled to open soon. A 142-kilometre route of high-speed railway, the Express Rail Link will connect Hong Kong with the National High-speed Rail Network of over 25,000-kilometre in the PRC; the HZM Bridge consists of 55-kilometre bridge and tunnel that will provide a new land transport link between the east and west coasts of the Pearl River Delta region. Moreover, the two major theme parks in Hong Kong, the Disneyland and the Ocean Park are both continuing their expansions. In all, these infrastructure projects stimulate further economic growth and will bring a positive impact on increasing number of visitors to the both ends.

Riding on China's growth story and under tough conditions over the past few years with taking a wider and longer term view, we believe 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 Group is underpinned by a strong balance sheet comprising high quality and conservatively valued assets coupled with a low level of gearing, as well as our dedicated team of management and staff who understand and respect our heritage and serve the Group with loyalty, we remain cautiously optimistic about the prospects for tourism and other markets that we are seeking to identify suitable investment opportunities, continuing to chart a course which maximizing the quality and value of our portfolio and creating win-win scenarios for all stakeholders.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: 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 2018.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018, including the accounting principles and practices adopted by the Group.

Further, a firm of certified public accountants has carried out a review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants.

REVIEW CONCLUSION

The firm of certified public accountants engaged by the Group has expressed a conclusion with an emphasis of matter paragraph on the condensed consolidated financial statements of the Group for the period under review. An extract of the practitioner's review report is set out in the section headed "EXTRACT OF THE INDEPENDENT PRACTITIONER'S REVIEW REPORT" below.

EXTRACT OF THE INDEPENDENT PRACTITIONER'S REVIEW REPORT

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Emphasis of Matter

Without modifying our conclusion, we draw attention to note 8 to the condensed consolidated financial statements which describes the uncertainties related to the extension of business licence period of Rosedale Hotel Guangzhou Co., Ltd. ("Rosedale Guangzhou"), an indirect non-wholly owned subsidiary of the Company whose business licence to operate its hotel expired on 15 January 2017. Should the Group be unable to successfully extend the business licence period, the hotel operations of Rosedale Guangzhou may be affected and further impairment of the hotel property and related assets may be required. Our conclusion is not modified in respect of this matter.

The above note 8 to the condensed consolidated financial statements is disclosed as note 8 to this announcement.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company complied with the code provisions set out in the Corporate Governance Code ("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 2018, except for the following deviations:

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 were not appointed for a specific term. However, all Directors 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 ("Bye-Laws"). Every Director is also subject to retirement by rotation at least once every three years according to Code provision A.4.2 of the Code. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those prescribed by Code provision A.4.1, and therefore does not intend to take any steps in this regard at the moment.

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 of the Company held on 7 June 2018 ("2018 AGM") as he had another business engagement. Ms. Chan Ling, Eva, the Managing Director of the Company, attended and took the chair of the 2018 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 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