Rosedale Hotel Holdings Limited
珀 麗 酒 店 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors ("Board") of Rosedale Hotel Holdings Limited ("Company") announces the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as "Group") for the year ended 31 December 2016 together with comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	NOTES	**2016** ***HK$'000***	2015 *HK$'000*
Turnover	*4*	**242,296**	235,412
Direct operating costs		**(144,689)**	(151,557)
Gross profit		**97,607**	83,855
Interest income	*6*	**14,088**	39,534
Other income, gains and losses	*7*	**8,990**	2,945
Distribution and selling expenses		**(1,476)**	(878)
Administrative expenses		**(159,287)**	(169,338)
Finance costs	*8*	**(2,280)**	(1,632)
Impairment loss recognised in respect of property, plant and equipment		**–**	(17,496)
Impairment loss recognised in respect of an amount due from a joint venture	*14*	**(27,983)**	–
Decrease in fair value of investment properties	*13*	**(22,009)**	(30,634)
Share of result of a joint venture	*14*	**(179)**	(7,445)
Impairment loss recognised in respect of available-for-sale investments		**–**	(18,722)

	NOTES	2016 HK$'000	2015 HK$'000
Loss before taxation	9	**(92,529)**	(119,811)
Income tax expense	10	**(665)**	(1,568)
Loss for the year		**(93,194)**	(121,379)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(45,887)**	(35,068)
Total comprehensive expense for the year		**(139,081)**	(156,447)
Loss for the year attributable to:			
Owners of the Company		**(86,438)**	(105,098)
Non-controlling interests		**(6,756)**	(16,281)
		(93,194)	(121,379)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(125,490)**	(135,963)
Non-controlling interests		**(13,591)**	(20,484)
		(139,081)	(156,447)
		HK$	*HK$*
LOSS PER SHARE			
– Basic	12	**(0.11)**	(0.14)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**415,470**	470,255
Investment properties	13	**192,000**	229,000
Interest in a joint venture	14	**–**	179
Amount due from a joint venture	14	**–**	27,983
Available-for-sale investments		**–**	–
Deposit paid for acquisition of an investment		**–**	172,940
Other assets		**19,800**	19,800
		627,270	920,157
Current assets			
Inventories		**2,441**	2,491
Trade and other receivables	17	**184,350**	118,079
Loan notes receivable	15	**–**	186,578
Investments held for trading	18	**60,000**	14,406
Cash and cash equivalent		**1,660,949**	1,436,453
		1,907,740	1,758,007
Current liabilities			
Trade and other payables	19	**102,856**	90,909
Borrowings – amount due within one year		**–**	10,000
Tax liabilities		**79,048**	77,389
		181,904	178,298
Net current assets		**1,725,836**	1,579,709
Total assets less current liabilities		**2,353,106**	2,499,866
Non-current liability			
Deferred taxation		**46,583**	52,223
Net assets		**2,306,523**	2,447,643

	2016	2015
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**7,892**	7,892
Share premium and reserves	**2,106,113**	2,238,700
Equity attributable to owners of the Company	**2,114,005**	2,246,592
Non-controlling interests	**192,518**	201,051
Total equity	**2,306,523**	2,447,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Rosedale Hotel Holdings Limited ("Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its substantial shareholder is Master Glory Group Limited (formerly known as Hanny Holdings Limited). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. Its principal subsidiaries are engaged in the businesses of hotel operations and trading of securities.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries ("Group") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle
Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

New and amendments to HKFRSs issued but net yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instrument[1]
HKFRS 15	"Revenue from contracts with customers" and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle[5]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 9 "Financial instruments" – continued

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, representing those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit loss which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of HK$161,807,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of Company anticipated that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and investments held for trading that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. TURNOVER

Turnover represents the fair value of the consideration received or receivable from outside customers, net of discounts and sales-related taxes during the year. An analysis of the Group's turnover for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Hotel operations and rental income	**242,296**	235,412

5. 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 ("CODM") (i.e. Executive Directors) for the purposes of resource allocation and assessment of performance is focused on these operating divisions.

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

1. Hotel operations – hotel accommodation, food, banquet operations and rental income; and

2. Securities trading – trading of equity securities

Segment revenue and results

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

5. SEGMENT INFORMATION – continued

For the year ended 31 December 2016

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
TURNOVER	**242,296**	**–**	**242,296**
RESULTS			
Segment loss excluding impairment loss recognised in respect of property, plant and equipment	**(31,555)**	**(20)**	**(31,575)**
Fair value change of investment held for trading	**–**	**(5,765)**	**(5,765)**
Segment loss	**(31,555)**	**(5,785)**	**(37,340)**
Directors' emoluments			**(3,068)**
Interest income			**14,088**
Share of result of a joint venture			**(179)**
Impairment loss recognised in respect of amount due from a joint venture			**(27,983)**
Decrease in fair value of investment properties			**(22,009)**
Finance costs			**(2,280)**
Central administrative costs and unallocated corporate expenses			**(13,758)**
Loss before taxation			**(92,529)**

5. SEGMENT INFORMATION – continued

For the year ended 31 December 2015

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
TURNOVER	235,412	–	235,412
RESULTS			
Segment loss excluding impairment loss recognised in respect of property, plant and equipment	(60,635)	–	(60,635)
Impairment loss recognised in respect of property, plant and equipment	(17,496)	–	(17,496)
Fair value change of investments held for trading	–	(18,412)	(18,412)
Segment loss	(78,131)	(18,412)	(96,543)
Directors' emoluments			(2,938)
Interest income			39,534
Share of result of a joint venture			(7,445)
Impairment loss recognised in respect of available-for-sale investments			(18,722)
Decrease in fair value of investment properties			(30,634)
Finance costs			(1,632)
Central administrative costs and unallocated corporate expenses			(1,431)
Loss before taxation			(119,811)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of directors' emoluments, interest income, finance costs, certain impairment losses, change in fair value of investment properties, share of result of a joint venture and central administrative costs and unallocated corporate expenses. There was asymmetrical allocation to operating segments because the Group allocated borrowings to operating segments without allocating the related finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. INTEREST INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income on:		
Bank deposits and other receivables	**5,339**	679
Effective interest on loan notes *(note 15)*	**8,749**	38,248
Imputed interest on amount due from a joint venture	**–**	607
	14,088	39,534

7. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
An analysis of the Group's other income, gains and losses is as follows:		
Fair value change of investments held for trading	**(5,765)**	(18,412)
Impairment loss recognised on other receivables	**–**	(9,410)
Gain on early redemption of loan notes receivable *(note 15)*	**8,371**	30,200
Sundry income	**2,756**	572
Gain (loss) on disposal of property, plant and equipment	**3,628**	(5)
	8,990	2,945

8. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on borrowings	**2,280**	1,632

9. LOSS BEFORE TAXATION

	2016	2015
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**29,982**	32,780
Auditor's remuneration	**3,600**	3,533
Cost of inventories recognised as expenses	**17,616**	17,529
Minimum lease payments paid in respect of rented premises	**34,142**	32,467
Staff costs (including directors' emoluments)	**42,070**	40,704
and after crediting:		
Gross rental income from shops in hotel properties less negligible outgoings (included in turnover)	**25,000**	25,818

10. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**(3,598)**	(3,030)
Underprovision in prior years	**(100)**	(269)
	(3,698)	(3,299)
Deferred tax:		
Current year	**3,033**	1,731
Total income tax recognised in profit or loss	**(665)**	(1,568)

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arise in Hong Kong for both years.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. DIVIDEND

No dividend was proposed for the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(86,438)**	(105,098)

	Number of shares	
	2016	2015
Weight average number of ordinary shares for the purpose of basic loss per share	**789,211,046**	731,912,162

There was no potential ordinary share outstanding during the years ended 31 December 2016 and 2015 and hence the diluted loss per share is not presented.

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2015	267,000
Currency realignment	(7,366)
Decrease in fair value recognised in the profit or loss	(30,634)
At 31 December 2015	229,000
Currency realignment	(14,991)
Decrease in fair value recognised in the profit or loss	(22,009)
At 31 December 2016	192,000

The fair value of the Group's investment properties at 31 December 2016 and 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective dates by Norton Appraisals Limited ("Norton Appraisals"), an independent qualified professional valuer not connected to the Group.

13. INVESTMENT PROPERTIES – continued

Norton Appraisals is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The fair value was determined based on the market comparison approach that reflects recent transaction prices for similar properties and also consider its term of operation up to 15 October 2023. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties the highest and best use of the properties is their current use.

The Group's investment properties represent a completed complex for commercial use, which is situated on medium-term land use right in the PRC. The Group holds the property interest under operating lease to earn rentals and/or for capital appreciation. Accordingly, the property interest held under operating lease is measured using the fair value model and is classified and accounted for as investment properties.

The resulting decrease in fair value of the investment property of approximately HK$22,009,000 for the year ended 31 December 2016 (decrease in 2015: HK$30,634,000) has been recognised in the profit or loss.

14. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

	2016	2015
	HK$'000	*HK$'000*
Cost of investment – unlisted	**–**	–
Share of post-acquisition losses and other comprehensive income, net of dividend received	**(7,624)**	(7,445)
Deemed capital contribution – interest-free loan	**7,624**	7,624
	–	179
Amount due from a joint venture (a)	**27,983**	27,983
Less: Impairment loss (b)	**(27,983)**	–
	–	27,983

(a) The amount due from a joint venture with principal of US$4,500,000 (equivalent to approximately HK$35,000,000) (2015: US$4,500,000 (equivalent to approximately HK$35,000,000)) was unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. The directors considered that the amount forms part of the net investment in the joint venture. At the end of the reporting period, the carrying amounts of such non-interest bearing portion of HK$7,624,000 was determined based on the present value of future cash flows discounted using an effective interest rate of 5%. It was expected that the amount will be repayable in 5 years. The corresponding adjustment in relation to the imputed interest on the non-interest bearing amount due from a joint venture is recognised against the interest in the joint venture. The amount was not expected to be repaid within one year and are therefore classified as non-current.

(b) As at 31 December 2016, the management identified an impairment loss of HK$27,983,000 recognised in profit or loss due to poor performance of the joint venture and the net liabilities position of the joint venture amounting to HK$65,816,000 as at 31 December 2016.

15. LOAN NOTES RECEIVABLE

Following the completion of the disposal of Eagle Spirit Holdings Limited and Makerston Limited ("Makerston"), the Group received the loan notes with principal amount of HK$500,000,000 issued by ITC Properties Group Limited ("ITCP"), a company incorporated in Bermuda with limited liability and its shares listed on The Stock Exchange of Hong Kong Limited 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 was 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 at initial recognition and 31 December 2015.

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 year ended 31 December 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 year is set out below:

	HK$'000
As at 1 January 2015	435,281
Effective interest recognised in profit or loss *(Note 6)*	38,248
Gain on early redemption *(Note7)*	30,200
Coupon interest received	(17,151)
Early repayment	(300,000)
As at 31 December 2015 and 1 January 2016	186,578
Effective interest recognised in profit or loss *(Note 6)*	8,749
Gain on early redemption *(Note7)*	8,371
Coupon interest received	(3,698)
Early repayment	(200,000)
As at 31 December 2016	–

16. DEPOSIT PAID FOR ACQUISITION OF AN INVESTMENT

The entire balance at 31 December 2015 represented an earnest money paid by the Group for an investment which holds 25% interest in a hotel operated and located in British Columbia, Canada. Details of the transaction are set out in the Company's announcements dated on 2 July 2015, 31 July 2015, 31 August 2015, 25 September 2015, 30 November 2015 and 29 January 2016.

On 27 April 2016, the Company decided not to proceed with the investment and the parties executed a deed of termination. Thus, full amount has been refunded during the year. Details of the termination are set out in the Company's announcement dated on 27 April 2016.

17. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**8,371**	5,367
Rental and utility deposits	**3,087**	2,249
Other receivables and prepayments	**172,892**	110,463
Total trade and other receivables	**184,350**	118,079

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 invoice date at the end of the reporting period which approximated the respective revenue recognition date.

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**6,669**	4,491
31 – 60 days	**1,169**	399
61 – 90 days	**367**	382
Over 90 days	**166**	95
	8,371	5,367

18. INVESTMENTS HELD FOR TRADING

Held-for-trading investments include:

	2016	2015
	HK$'000	*HK$'000*
Listed securities		
Equity securities listed in Hong Kong	**60,000**	14,406

The fair value was based on the quoted prices of the respective securities in active markets.

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

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$5,565,000 (2015: HK$5,905,000) and the aged analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**3,411**	3,037
31 – 60 days	**770**	1,128
61 – 90 days	**545**	848
Over 90 days	**839**	892
	5,565	5,905

20. LITIGATION

The Group had the following outstanding arbitration and litigation as at 31 December 2016, in which the directors of the Company are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained at the current stage:

(a) On 8 July 2016, Allied Glory Investment Limited ("Allied Glory"), a non-wholly owned subsidiary of the Company, applied to the China International Economic and Trade Arbitration Commission (the "CIETAC") for an arbitration with the minority shareholder of a subsidiary of the Company (the "PRC Partner"), Rosedale Hotel Guangzhou Co., Ltd., (廣州珀麗酒店有限公司) ("Rosedale Guangzhou") in relation to the co-operative period of operating Rosedale Guangzhou. Rosedale Guangzhou engages in the management of and investment in Rosedale Hotel & Suites, Guangzhou, a luxury four-star hotel located in Guangzhou, the PRC.

Rosedale Guangzhou is a sino-foreign co-operative joint venture incorporated in the PRC and operates its own hotel property. Pursuant to the co-operative agreement governing the operation of Rosedale Guangzhou, the co-operative period is 50 years commencing from 15 January 1987 and the rights and ownership of the hotel property of Rosedale Guangzhou are required to be transferred to the PRC Partner upon the completion of the co-operative period. The initial co-operative period approved by Foreign Economic and Trade Commission was 30 years and this can be extended for a further period of time but not more than 20 years. Rosedale Guangzhou was then granted a business license with license period of 30 years which expired in January 2017.

Subsequent to the end of the reporting period and upon the expiration of the business license expired in January 2017, the PRC Partner refused to cooperate with Allied Glory to jointly apply for such extension. Allied Glory has therefore applied to the CIETAC to seek for an arbitral award to restate the co-operative period to 50 years and require the minority shareholder of Rosedale Guangzhou to cooperate in the application process of the relevant license of Rosedale Guangzhou for an extension to 15 January 2037.

The outcome of the arbitration is still uncertain at this stage. Based on the legal advices, the directors of the Company are of the opinion that the Company has a good ground of successfully obtaining the arbitral award in favour of the Group to demand the PRC Partner to jointly apply for the said extension. If the arbitration result is unfavourable to the Group, full impairment loss particularly in the hotel property of Rosedale Guangzhou would arise.

(b) On 27 October 2016, the PRC Partner filed a civil lawsuit at the Guangzhou Intermediate People's Court in Guangdong Province, the PRC, against Allied Glory in respect of a claim for profit sharing in Rosedale Guangzhou of approximately RMB9.6 million. Allied Glory has already engaged a PRC independent law firm to act on its behalf in relation to the case. As at the date of this report, the legal proceeding is still ongoing and the outcome cannot be determined at this moment.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The year of 2016 has been challenging. According to the World Bank Group, growth prospects have weakened throughout the world economy. Global growth for 2016 was at around 2.3%, with the advanced economies expected to expand by 0.4%. Emerging market and developing economies are facing stronger headwinds, including weaker growth among advanced economies and persistently low commodity prices, as well as lackluster global trade and capital flows. There have also been challenges with unfortunate terrorist events affecting tourism and businesses in global markets, as well as political uncertainly from the "Brexit" vote and the Trump's effect.

Hong Kong has been impacted by the declines in tourism and high-end retail spending and a softening in the high-end residential market. The People's Republic of China ("PRC") also, as weighed down by sluggish demand at home and abroad, industrial overcapacity and faltering investment, its Gross Domestic Product ("GDP") for the year 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 1.9% year on year and the GDP for 2017 is expected to grow by 2% to 3% in real terms, as adjusted downwards due to the slowdown in the local economy.

In 2016, total visitors arrivals to Hong Kong amounted to about 56.7 million, representing a further decreased by 4.5%, 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 6.7%, after dropping by 3% in 2015, accordingly. The reduction in Mainland China visitors was to a certain extent compensated for by the rebound in the number of visitors from the traditional long haul and other short haul markets. The number of overnight visitors maintained at about 26.5 million, which was a decrease of 0.5% compared on a year on year basis. Clearly, Mainland China economic growth in the major markets, including Hong Kong, remained clouded by factors such as financial market volatility, dwindling market demand and currency fluctuation.

FINANCIAL REVIEW

Despite the challenging business environment encountered by the tourism industry in the year under review, the Group has maintained steady revenue in respect of its overall business operations. During the year ended 31 December 2016, turnover of the Group attained HK$242.3 million, represented an increase of 2.9% as compared to HK$235.4 million for the year ended 31 December 2015. The results of the Group for the year ended 31 December 2016 was a loss of HK$93.2 million (2015: loss of HK$121.4 million) which was mainly attributable to gross profit of HK$97.6 million (2015: gross profit of HK$83.9 million); administrative expenses of HK$159.3 million (2015: HK$169.3 million); distribution and selling expenses of HK$1.5 million (2015: HK$0.9

million); finance costs of HK$2.3 million (2015: HK$1.6 million); decrease in fair value of investment properties of HK$22.0 million (2015: HK$30.6 million); impairment loss recognised in respect of an amount due from a joint venture of HK$27.9 million (2015: nil); share of loss from a joint venture of HK$0.2 million (2015: HK$7.4 million) and income tax expense of HK$0.7 million (2015: HK$1.6 million), partially offset by interest income of HK$14.1 million (2015: HK$39.5 million); and other income of HK$9.0 million (2015: HK$2.9 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$242.3 million for the year ended 31 December 2016 (for the year ended 31 December 2015: HK$235.4 million). With the setback encountered by the tourism industry in the year, the average occupancy rate was slightly increased by 8.7% to 74.1% for the year ended 31 December 2016 (for the year ended 31 December 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. As the Group has stepped up its efforts in achieving greater cost efficiency, therefore the gross margin was maintained at 40% or increased by 4% when compared with the last year of 36%. 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$5.8 million for the year ended 31 December 2016 (for the year ended 31 December 2015: segment loss of HK$18.4 million), representing fair value loss of investments held for trading, as a result of mark to market valuations as at the balance sheet date (for the year ended 31 December 2015: HK$18.4 million).

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 December 2014, the Company entered into a framework agreement ("Framework Agreement") with two independent third parties ("Vendors") in relation to the possible acquisition of 51% equity interests in a company owned by the Vendors ("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 ("Loan Agreement") to facilitate the Vendors to the acquisition of the entire entity interest in a PRC registered company ("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 and 29 December 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, 31 December 2016 and 30 June 2017, respectively. Further details of the Possible Acquisition were 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 and 29 December 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 ("JV Partner") entered into a memorandum of understanding ("MOU"), relating to possible investment in a hotel located in Canada ("Possible Investment"). The Company paid a refundable earnest money of approximately HK$172.9 million ("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 in relation to the MOU 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 were 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 31 December 2016, the Group's cash and bank balances and investments held for trading amounted to HK$1,720.9 million (31 December 2015: HK$1,450.9 million). The Group has no borrowings as at 31 December 2016 (31 December 2015: HK$10 million). All borrowings were bearing floating interest rates.

The Group's current assets and current liabilities as at 31 December 2016 were HK$1,907.7 million and HK$181.9 million (31 December 2015: HK$1,758.0 million and HK$178.3 million), respectively. As a result, the current ratio of the Group as at 31 December 2016 was 10.5 (31 December 2015: 9.9). The gearing ratio as at 31 December 2016, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was nil (31 December 2015: 0.4%).

Over 90% 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 31 December 2016 and 31 December 2015.

CONTINGENT LIABILITIES

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

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 year ended 31 December 2016, the Group did not enter 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 year ended 31 December 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 31 December 2016, the Group had 682 employees of which 550 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 view of 2017 is looking set to be a year of both challenges and opportunities. The global economy continues to face uncertainties while Mainland China and local economic growths have both slowed down. The Group's operating environment remains challenging in the short term as the pressures posed by the global economic and the continued economic transition in Mainland China are set to be linger. The Group believes that, despite the slowdown developments in the economy, the operating environment in Hong Kong and Mainland China remain opportunities amid macroeconomic uncertainties and intensified competition. All these macroeconomic related problems are echoed on the Group's financial result which in fact other industry players also suffered.

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. 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.

In face of tough conditions over the years, our hotels remain well placed in the markets that they operate and the Group has met and overcome many challenges. Overall with the Group 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 cautiously optimistic about the prospects for tourism and other markets that the Group is seeking to identify suitable investment opportunities. In addition, the Group will continue to provide quality services and upgraded facilities to strengthen the competitiveness, continuing to chart a course which maximizing the quality and value of our portfolio and creating win-win scenarios for all stakeholders.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for the year ended 31 December 2016 (2015: Nil).

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group.

EXTRACT OF THE AUDITOR'S REPORT

The auditor expresses an unqualified opinion in the auditor's report, but including an emphasis of matter paragraph. Details of which are extracted and reproduced as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to notes 15 and 35 to the consolidated financial statements which describe the uncertainty related to the outcome of the arbitration proceeding between Allied Glory Investment Limited ("Allied Glory"), a non-wholly owned subsidiary of the Company, and the minority shareholder of a subsidiary of the Company, Rosedale Hotel Guangzhou Co., Ltd., (廣州珀麗酒店有限公司) ("Rosedale Guangzhou") in relation to the co-operative period of operating Rosedale Guangzhou. Rosedale Guangzhou is a sino-foreign co-operative joint venture incorporated in the People's Republic of China and operates its own hotel property. Pursuant to the co-operative agreement governing the operation of Rosedale Guangzhou, the co-operative period is 50 years commencing from 15 January 1987 and the rights and ownership of the hotel property of Rosedale Guangzhou are required to be transferred to the minority shareholder of Rosedale Guangzhou upon the completion of the co-operative period. The initial co-operative period approved by Foreign Economic and Trade Commission was 30 years and this can be extended for a further period of time but not more than 20 years. Rosedale Guangzhou was then granted a business license with license period of 30 years which expired in January 2017. Allied Glory is seeking for an arbitral award to restate the co-operative period to 50 years and require the minority shareholder of Rosedale Guangzhou to cooperate in the application process of the relevant license of Rosedale Guangzhou for an extension to 15 January 2037. Should the arbitration award be unfavourable to the Group and the Group is required to pass the rights and ownership of the hotel property of Rosedale Guangzhou to the minority shareholder, full impairment of the hotel property may be required. As of the date of this report, the outcome of the arbitration award is still uncertain and cannot be determined. Our opinion is not modified in respect of this matter.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company had 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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the year ended 31 December 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 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 these are no less exacting than that prescribed by code provision A.4.1, and therefore does not intend to take any steps in this regard.

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 ("2016 AGM") as he had other business engagement. 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 ("Shareholders").

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company ("2017 AGM") is scheduled to be held on Thursday, 1 June 2017. The notice of 2017 AGM will be published on the websites of the Company and the Stock Exchange, and despatched to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Thursday, 25 May 2017 to Thursday, 1 June 2017, both days inclusive, during which period no transfer of shares will be registered.

To be eligible to attend and vote at the 2017 AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 24 May 2017.

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

Hong Kong, 30 March 2017

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