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 2017

The board of directors ("Board") 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 2017 together with comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended	
	NOTES	**30.6.2017** ***HK$'000*** **(unaudited)**	30.6.2016 *HK$'000* (unaudited)
Turnover	*3*	**117,834**	113,101
Direct operating costs		**(73,244)**	(70,750)
Gross profit		**44,590**	42,351
Interest income	*4*	**4,235**	17,615
Other income, gains and losses		**683**	1,669
Distribution and selling expenses		**(543)**	(832)
Administrative expenses		**(59,942)**	(79,823)
Equity-settled share-based payment expenses	*14*	**(13,715)**	–
Fair value change on investments held for trading		**(24,130)**	(11,337)
Share of result of a joint venture		**–**	(179)
Impairment loss recognised in respect of property, plant and equipment	*9*	**(14,772)**	–
Decrease in fair value of investment properties	*10*	**(16,244)**	(4,558)
Finance costs		**(637)**	(940)

	NOTES	Six months ended 30.6.2017 HK$'000 (unaudited)	30.6.2016 HK$'000 (unaudited)
Loss before taxation	*5*	**(80,475)**	(36,034)
Income tax expense	*6*	**(2,113)**	(1,149)
Loss for the period		**(82,588)**	(37,183)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		**23,067**	(13,305)
Total comprehensive expense for the period		**(59,521)**	(50,488)
Loss for the period attributable to:			
Owners of the Company		**(77,760)**	(33,105)
Non-controlling interests		**(4,828)**	(4,078)
		(82,588)	(37,183)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(58,274)**	(44,996)
Non-controlling interests		**(1,247)**	(5,492)
		(59,521)	(50,488)
LOSS PER SHARE	*8*		
– Basic *(HK$)*		**(0.10)**	(0.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	At 30.6.2017 HK$'000 (unaudited)	At 31.12.2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**400,306**	415,470
Investment properties	10	**182,000**	192,000
Other assets		**19,800**	19,800
		602,106	627,270
Current assets			
Inventories		**2,400**	2,441
Trade and other receivables	11	**197,355**	184,350
Investments held for trading	12	**37,014**	60,000
Bank balances and cash		**1,646,163**	1,660,949
		1,882,932	1,907,740
Current liabilities			
Trade and other payables	13	**101,062**	102,856
Tax liabilities		**76,934**	79,048
		177,996	181,904
Net current assets		**1,704,936**	1,725,836
Total assets less current liabilities		**2,307,042**	2,353,106
Non-current liability			
Deferred taxation		**46,325**	46,583
Net assets		**2,260,717**	2,306,523
Capital and reserves			
Share capital		**7,892**	7,892
Reserves		**2,061,554**	2,106,113
Equity attributable to owners of the Company		**2,069,446**	2,114,005
Non-controlling interests		**191,271**	192,518
Total equity		**2,260,717**	2,306,523

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 ("Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle: HKFRS 12 Disclosure of interests in other entities

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The adoption will result in relevant disclosures in the Group's annual consolidated financial statements for the year ending 31 December 2017.

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

3. SEGMENT INFORMATION

Segment information reported internally was analysed on the basis of the types of services provided and activities carried out by the Group's operating divisions. The Group is currently organised into two operating divisions - hotel operations and securities trading. The information reported to the Group's chief operating decision maker ("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 and banquet operation, and rental income; and

2. Securities trading – trading of equity securities.

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

For the six months ended 30 June 2017 (unaudited)

	Hotel operations *HK$'000*	**Securities trading** *HK$'000*	**Consolidated** *HK$'000*
Turnover	**117,834**	**–**	**117,834**
Results			
Segment loss	**(22,065)***	**(23,037)**	**(45,102)**
Directors' emoluments			**(5,965)**
Interest income			**4,235**
Decrease in fair value of investment properties			**(16,244)**
Finance costs			**(637)**
Central administrative costs and other unallocated corporate expenses			**(16,762)**
Loss before taxation			**(80,475)**

* Segment loss of hotel operations included the impairment loss recognised in respect of property, plant and equipment.

For the six months ended 30 June 2016 (unaudited)

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
Turnover	113,101	–	113,101
Results			
Segment loss	(26,669)	(11,345)	(38,014)
Directors' emoluments			(1,829)
Interest income			17,615
Decrease in fair value of investment properties			(4,558)
Finance costs			(940)
Central administrative costs and other unallocated corporate expenses			(8,308)
Loss before taxation			(36,034)

Segment result represents the loss incurred by each segment without allocation of directors' emoluments, interest income, decrease in fair value of investment properties, finance costs 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. INTEREST INCOME

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income on:		
Bank deposits and others	**4,235**	495
Effective interest on loan notes	**–**	8,749
Reversal of effective interest recognised upon initial recognition for the early repayment portion	**–**	8,371
	4,235	17,615

5. LOSS BEFORE TAXATION

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**18,459**	15,681
Impairment loss recognised in respect of property, plant and equipment	**14,772**	–
Loss on write-off of property, plant and equipment	**–**	29
Loss on disposal of property, plant and equipment	**7**	–
Equity-settled share-based payment expenses	**13,715**	–
Minimum lease payments in respect of rented premises	**19,394**	19,076
and after crediting:		
Bank and other interest income	**4,235**	17,615

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Income tax expense comprises:		
Current tax:		
PRC Enterprise Income Tax	**(3,878)**	(2,141)
Deferred tax:		
Current period	**1,765**	992
Income tax expense	**(2,113)**	(1,149)

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for both periods under review.

People's Republic of China ("PRC") Enterprise Income Tax is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC. Taxation arising in other jurisdiction is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

7. DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

8. LOSS PER SHARE

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

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share		
Loss for the period attributable to owners of the Company	**(77,760)**	(33,105)
	Number of shares	
Number of ordinary shares in issue during the period for the purpose of basic loss per share for the period	**789,211,046**	789,211,046

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

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

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$3,409,000 (for the six months ended 30 June 2016: HK$3,256,000) on acquisition of property, plant and equipment of which approximately HK$1,691,000 (for the six months ended 30 June 2016: HK$2,099,000) was in relation to leasehold improvement for hotel properties.

Owing to the unsatisfactory financial performance of hotel operations, the management identified the hotel properties and leasehold improvement having impairment indications. The Group tested the hotel properties and leasehold improvement, each of which is a separate cash generating unit ("CGU"), for impairment by measuring the recoverable amount of the hotel properties and leasehold improvements. The recoverable amount of the CGU of each hotel operation was based on its value-in-use and was determined with assistance of Asset Appraisal Limited, an independent professional qualified valuer not connected with the Group.

The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 10.27% (31 December 2016: 10.27%). Cash flows after the five-year period were extrapolated using a 3% (31 December 2016: 3%) growth rate in considering the economic condition of the market. Other key assumptions for the value-in-use calculations include future revenue growth rate, gross profit margin and discount rate. Such estimation is based on the unit's past performance of the hotel operations and management's expectations for the market development including the fluctuation in the hotel operation in the current economic environment in the PRC.

For the six months ended 30 June 2017, an impairment loss of HK$14,772,000 (for the six months ended 2016: nil) is recognised in relation to the impairment testing on a hotel property located in Guangzhou, the PRC, as its recoverable amount determined in this manner was estimated to be lower than its carrying amount.

10. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of investment properties in the PRC at 30 June 2017 was arrived at on the basis of a valuation carried out on that date by Norton Appraisals Limited, an independent qualified professional valuer not connected with the Group and a member of the Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and location of the subject properties.

During the period ended 30 June 2017, decrease in fair value of investment properties of HK$16,244,000 (for the six months period ended 30 June 2016: HK$4,558,000) was recognised in profit or loss.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK$6,531,000 (31 December 2016: HK$8,371,000). The following is an analysis of trade receivables by age, presented based on invoice date which approximate the revenue recognition date:

	At 30.6.2017 *HK$'000* **(unaudited)**	At 31.12.2016 *HK$'000* (audited)
0 – 30 days	**5,371**	6,669
31 – 60 days	**689**	1,169
61 – 90 days	**242**	367
Over 90 days	**229**	166
	6,531	8,371

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

On 31 December 2014, the Company and two independent third parties ("Third Parties") entered into agreements, pursuant to which the Company agreed to provide a short term interest-free advance of HK$75 million ("Loan") to the Third Parties for on-lending to a target company ("Target") and its subsidiaries ("Target Group") in order to facilitate an acquisition of the entire equity interest in a PRC Company, which is an entity established under the laws of the PRC and is principally engaged in property leasing and management, and owns a parcel of land in Zhuhai, the PRC. Simultaneously, the Company also entered into a framework agreement with the Third Parties that subject to completion of the possible acquisition, the Third Parties and the Company intend to invest an aggregate amount of HK$300 million for redevelopment of the land and properties of the PRC Company. In order to secure the Company's interest in this on-lending advancement, (i) a deed of share charge was executed over the entire issued share capital of the Target in favour of the Company; and (ii) the Target has executed a deed of share charge over the entire issued share capital of its subsidiary incorporated in Hong Kong in favour of the Company, as the security to the advancement for the Company.

During the year ended 31 December 2015 and 2016, the Group and the counterparties entered into several extension letters to further extend the repayment date of the Loan and the Loan was extended to 30 June 2017. Details are set out 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. During six months ended 30 June 2017, the directors have reviewed the recoverability of the advance by taking into consideration of the current progress of the target company in the acquisition of equity interest in a PRC company and considered to enter into another extension letter with the counterparties to further extend the repayment date of the Loan to 31 December 2017. Details of which are set out in the Company's announcement dated 22 June 2017.

Included in the other receivables balances at 30 June 2017 were prepaid rentals, utilities and other deposits to certain independent third parties in total of HK$4,849,000 in relation to hotels operating in the PRC (31 December 2016: HK$4,097,000).

Included in the other receivables are certain unsecured and unguaranteed loans to independent third parties of HK$75,657,000 (31 December 2016: HK$73,158,000) with repayment terms within one year and interest bearing from 5% to 9% per annum. In the opinion of the directors of the Company, the amount was neither past due nor impaired have good credit quality at the end of the reporting period.

12. INVESTMENTS HELD FOR TRADING

	At 30.6.2017	At 31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Listed securities		
Equity securities listed in Hong Kong	**10,001**	10,179
Equity securities listed in Overseas	**27,013**	49,821
	37,014	60,000

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

At 30 June 2017 and 31 December 2016, no investments held for trading have been pledged as security.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$4,701,000 (31 December 2016: HK$5,565,000). The following is an analysis of trade payables by age, presented based on invoice date:

	At 30.6.2017	At 31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**2,877**	3,411
31 – 60 days	**740**	770
61 – 90 days	**482**	545
Over 90 days	**602**	839
	4,701	5,565

Included in other payables at 30 June 2017 are balances as follows:

(a) Deposits received of approximately HK$10,149,000 (31 December 2016: HK$11,285,000) from shop tenants in the hotel properties.

(b) Accrual for direct operating and administrative expenses amounting to approximately HK$33,424,000 (31 December 2016: HK$51,399,000) that are expected to be settled within one year.

(c) Advance receipt from customers of approximately HK$7,734,000 (31 December 2016: HK$6,113,000).

14. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company adopted a share option scheme ("Scheme") on 30 May 2013 and is valid and effective for a period of 10 years commencing on 3 June 2013 (the date on which the last condition to the Scheme was satisfied) until 2 June 2023, subject to early termination by the Company in general meeting or by the Board of Directors.

The purpose of the Scheme is to enable the Company to grant options to subscribe for shares of the Company ("Options") to any eligible employee (including executive directors) and any non-executive director of the Group or any entity in which the Group holds an equity interest ("Invested Entity"), any supplier of goods or services to the Group or any Invested Entity, any customer of the Group or any Invested Entity, any consultant, adviser, manager, officer and entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder or any member of the Group who has contributed to the business of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity ("Participant"), as incentives or rewards for their contributions or potential contribution to the Group.

During the six months ended 30 June 2017, 65,600,000 share options were granted and remained outstanding under the Scheme, representing 8.3% of the shares of the Company in issue at the date of grant.

Details of specific categories of Options are as follows:

Date of grant	Vesting date	Exercise period	Exercise price
24 April 2017	24 April 2017	24 April 2017 to 23 April 2022	HK$0.59

The following table discloses movements of the number of the Company's share options held by the eligible participants during the period:

Category of participants	Outstanding at 1 January 2017	Granted during the period	Outstanding at 30 June 2017
Directors	–	19,100,000	19,100,000
Employee and other eligible participants	–	46,500,000	46,500,000
	–	65,600,000	65,600,000
Exercisable at the end of the period			65,600,000
Weighted average exercise price *(HK$)*	N/A	0.59	0.59

The estimated fair value of the Options granted during the six months ended 30 June 2017 on the date of grant is HK$13,715,000.

The fair value was calculated using the Binomial model. The inputs into the model were as follows:

Share price	HK$0.59
Exercise price	HK$0.59
Expected volatility	41.12%
Expected life	5 years
Risk-free rate	1.114%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price movement over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$13,715,000 for the six months ended 30 June 2017 in relation to share options granted by the Company.

15. ARBITRAL AWARD IN REGARDING THE OPERATING LICENCE OF ROSEDALE HOTEL GUANGZHOU CO., LTD.

On 8 July 2016, Allied Glory Investment Limited ("Allied Glory"), an indirect non-wholly owned subsidiary of the Company in which the Company has an approximately 73.5% effective interest, applied to the China International Economic and Trade Arbitration Commission ("Arbitration Commission") for an arbitration with the PRC partner in relation to the extension of the business licence of Rosedale Hotel Guangzhou Co., Ltd. (廣州珀麗酒店有限公司) ("Rosedale Guangzhou"), which is engaged 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 company established in the PRC. Pursuant to the joint venture agreement between Allied Glory and the PRC partner, the cooperative period for Rosedale Guangzhou is a period of 50 years commencing from 15 January 1987. Pursuant to the approval granted by the Foreign Economic and Trade Commission in May 1992, Rosedale Guangzhou obtained a 30 years business licence which expired in January 2017 but such approval also provided that the business licence could be extended for a further period of 20 years, subject to certain conditions and the official approval from the PRC government authorities prior to the expiration in 2017. The PRC partner had, however, refused and/or failed to cooperate with Allied Glory to apply for such extension. Details of which are set out in the announcement of the Company dated 8 July 2016.

On 3 May 2017, Allied Glory received an arbitral award ("Arbitral Award") issued by the Arbitration Commission, pursuant to which the co-operative period for Rosedale Guangzhou under the joint venture agreement made between Allied Glory and the PRC partner 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. Details of which are set out in the Company's announcement dated 8 May 2017. The Arbitral Award, being a final award, took effect on the date of issue and is legally binding on all parties to the arbitration. In the opinion of the Directors of the Company, since the Arbitral Award was issued, the management of the Group is currently taking appropriate steps to enforce the Arbitral Award subject to and in accordance with all applicable laws and regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the six months ended 30 June 2017, growth prospects have continued to weaken throughout a number of downside risks. According to the World Bank Group, the risks include increased protectionism, heightened policy uncertainty, the possibility of financial market turbulence, and, over the longer run, weaker potential growth. There have also been challenges with unfortunate terrorist events affecting tourism and businesses in global markets, as well as political uncertainly from the Trump's effects. On the other hand, with the same pace as in the previous period while markets expected a 6.8% expansion on the People's Republic of China ("PRC") economy, its Gross Domestic Product ("GDP") advanced 6.9% year-on-year in the second quarter of 2017, reflecting a positive growth of about 0.2% as compared to 2016. The growth remained at its strongest level since the third quarter of 2015, as the industrial output and retail sales picked up while the fixed asset investment remained strong. In the meanwhile, Hong Kong's economy expanded moderately by 4.0% year-on-year and its GDP for 2017 is expected to grow by 3.0% to 4.0% in real terms. Visitor arrivals to Hong Kong increased by 2.4%, after dropping by 7.4% in 2016, which accounting for around 75% of the total were visitors from Mainland China, and those visitors from Mainland China also increased by 2.3%, after dropping by 10.6% in 2016, based on the information published by the Hong Kong Tourism Board.

FINANCIAL REVIEW

Given the challenging business environment, the Group had satisfactory performance during the period under review, reported stable business development with steady performance in respect of its overall hotel investment. Turnover of the Group attained HK$117.8 million for the six months ended 30 June 2017, represented an increase of 4.2% as compared to HK$113.1 million for the six months ended 30 June 2016. The results of the Group for the six months ended 30 June 2017 was a loss of HK$82.6 million (Six months ended 30 June 2016: loss of HK$37.2 million) which was mainly attributable to gross profit of HK$44.6 million (Six months ended 30 June 2016: gross profit of HK$42.4 million); administrative expenses of HK$60.0 million (Six months ended 30 June 2016: HK$79.8 million); distribution and selling expenses of HK$0.5 million (Six months ended 30 June 2016: HK$0.8 million); finance costs of HK$0.7 million (Six months ended 30 June 2016: HK$0.9 million); equity-settled share-based payment expenses of HK$13.7 million (Six months ended 30 June 2016: nil); impairment loss recognized in respect of property, plant and equipment of HK$14.8 million (Six months ended 30 June 2016: nil); decrease in fair value on investment properties of HK$16.2 million (Six months ended 30 June 2016: HK$4.6 million); decrease in fair value on investments held for trading of HK$24.1 million (Six months ended 30 June 2016: HK$11.3 million); and income tax expense of HK$2.1 million (Six months ended 30 June 2016: HK$1.1 million), partially offset by interest income of HK$4.2 million (Six months ended 30 June 2016: HK$17.6 million); and other income of HK$0.7 million (Six months ended 30 June 2016: HK$1.7 million).

BUSINESS REVIEW

Hotel Investment

The hotel investment comprises three "Rosedale" branded 4-star rated hotels located in Hong Kong, Guangzhou and Shenyang and the Luoyang Golden Gulf Hotel. Overall turnover generated from hotel investment increased by 4.2% to HK$117.8 million for the six months ended 30 June 2017 (Six months ended 30 June 2016: HK$113.1 million). With the setback encountered by the tourism industry in the period under review, the combined average occupancy rate was slightly increased by 4.3% to 74.1% for the six months ended 30 June 2017 (Six months ended 30 June 2016: 69.8%) 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 37.8% or increased by 0.4% when compared with the corresponding period in 2016 of 37.4%. 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$23.0 million for the six months ended 30 June 2017 (Six months ended 30 June 2016: segment loss of HK$11.3 million), representing fair value loss of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 December 2014, the Company entered into a framework agreement ("Framework Agreement") with two independent third parties ("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, 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. 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 and 22 June 2017. 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 to extend the expiry date of the MOU to 31 August 2015, 30 September 2015, 30 November 2015, 29 January 2016 and 29 April 2016, respectively. On 27 April 2016, the Company decided not to proceed with the Possible Investment and executed a deed of termination with the JV Partner. The Earnest Money was fully refunded to the Company subsequently. Further details of the Possible Investment are disclosed in the Company's announcements dated 2 July 2015, 31 July 2015, 31 August 2015, 25 September 2015, 30 November 2015, 29 January 2016 and 27 April 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's cash and bank balances and investments held for trading amounted to HK$1,683.2 million (31 December 2016: HK$1,720.9 million). The Group had no borrowings as at each of 30 June 2017 and 31 December 2016.

The Group's current assets and current liabilities as at 30 June 2017 were HK$1,882.9 million and HK$178.0 million (31 December 2016: HK$1,907.7 million and HK$181.9 million), respectively. As a result, the current ratio of the Group as at 30 June 2017 was 10.6 (31 December 2016: 10.5). The gearing ratio as at 30 June 2017, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was nil (31 December 2016: nil).

As at each of 30 June 2017 and 31 December 2016, over 95% of the Group's cash and bank balances and investments held for trading were denominated in Hong Kong dollar and United States dollar, approximately 2.8% were in Renminbi and the balance of approximately 1.6% were in other currencies. All of the Group's borrowings were in Hong Kong dollar.

PLEDGE OF ASSETS

The Group did not have any assets pledged for credit facilities as at each of 30 June 2017 and 31 December 2016.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at each of 30 June 2017 and 31 December 2016.

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 2017, 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 2017, 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 2017, the Group had 644 employees of which 522 employees were stationed in the PRC. Employees' remuneration packages were determined in accordance with individual's responsibility, competence and skills, qualifications, experience and performance as well as market pay-level. Staff benefits include training programs, provident fund scheme, medical insurance and other competitive fringe benefits.

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

PROSPECTS

The core strength of the Group is built on its philosophy and strategy that focusing on the development and maintenance of the portfolio of hotels and other assets for the long term future. This provides the vision and willingness to invest in assets for its long term value creation and the staying power to ride through shorter term cycles in the economy without compromising the quality of our products and services. The first half of this year, we have experienced a mixed condition to our businesses. In the midst of a market correction 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.

Taking a wider and longer term view, we believe that our hotels remain well placed in the markets that they operate and we expect to perform in line with expectations in the traditional autumn high season. Overall with the 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 2017 (for the six months ended 30 June 2016: Nil).

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 six months ended 30 June 2017.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed with the management the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017, including the accounting principles and practices adopted by the Group.

Further, the auditor of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has 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 throughout the six months ended 30 June 2017, 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 of the Company were not appointed for a specific term. However, all Directors of the Company 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 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 1 June 2017 ("2017 AGM") as he had other business engagement. Ms. Chan Ling, Eva, the Managing Director of the Company, attended and took the chair of the 2017 AGM in accordance with Bye-Law 68 of the Bye-Laws and answered questions from shareholders of the Company, if any.

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

Hong Kong, 29 August 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