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Rosedale Hotel Holdings Limited

珀麗酒店控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**252,311**	242,296
Direct operating costs		**(151,633)**	(144,689)
Gross profit		**100,678**	97,607
Interest income	*6*	**8,574**	14,088
Other income, gains and losses	*7*	**(38,660)**	8,990
Distribution and selling expenses		**(1,143)**	(1,476)
Administrative expenses		**(126,173)**	(159,287)
Finance costs	*8*	**(1,066)**	(2,280)
Equity-settled share-based payment expenses		**(13,715)**	–
Impairment loss recognised in respect of property, plant and equipment		**(14,772)**	–
Impairment loss recognised in respect of an amount due from a joint venture		**–**	(27,983)
Decrease in fair value of investment properties		**(41,529)**	(22,009)
Share of result of a joint venture		**–**	(179)

	NOTES	**2017** **HK$'000**	2016 HK$'000
Loss before taxation	*9*	**(127,806)**	(92,529)
Income tax credit (expense)	*10*	**2,558**	(665)
Loss for the year		**(125,248)**	(93,194)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**52,885**	(45,887)
Total comprehensive expense for the year		**(72,363)**	(139,081)
Loss for the year attributable to:			
Owners of the Company		**(116,128)**	(86,438)
Non-controlling interests		**(9,120)**	(6,756)
		(125,248)	(93,194)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(71,501)**	(125,490)
Non-controlling interests		**(862)**	(13,591)
		(72,363)	(139,081)
		HK$	*HK$*
LOSS PER SHARE	*12*		
– Basic		**(0.15)**	(0.11)
– Diluted		**(0.15)**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment	*13*	**401,111**	415,470
Investment properties	*14*	**164,000**	192,000
Interest in a joint venture		**–**	–
Amount due from a joint venture		**–**	–
Available-for-sale investments		**–**	–
Other assets		**19,800**	19,800
		584,911	627,270
Current assets			
Inventories		**2,556**	2,441
Trade and other receivables	*15*	**62,899**	184,350
Investments held for trading		**22,343**	60,000
Cash and cash equivalents		**1,801,383**	1,660,949
		1,889,181	1,907,740
Current liabilities			
Trade and other payables	*16*	**108,189**	102,856
Tax liabilities		**76,874**	79,048
		185,063	181,904
Net current assets		**1,704,118**	1,725,836
Total assets less current liabilities		**2,289,029**	2,353,106
Non-current liability			
Deferred taxation		**41,154**	46,583
Net assets		**2,247,875**	2,306,523

	2017	2016
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**7,892**	7,892
Share premium and reserves	**2,048,327**	2,106,113
Equity attributable to owners of the Company	**2,056,219**	2,114,005
Non-controlling interests	**191,656**	192,518
Total equity	**2,247,875**	2,306,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Rosedale Hotel Holdings Limited (the "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 (the "Stock Exchange"). Its substantial shareholder is Master Glory Group Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. Its principal subsidiaries are engaged in the businesses of hotel operation 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (the "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 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014-2016 cycle

Except as described below, 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.

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. 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 cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. REVENUE

Revenue 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:

	2017	2016
	HK$'000	*HK$'000*
Hotel operations income	**204,604**	197,522
Rental income	**47,707**	44,774
	252,311	242,296

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 (the "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 2017

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
REVENUE	**252,311**	**–**	**252,311**
RESULTS			
Segment loss excluding impairment loss recognised in respect of property, plant and equipment	**(7,780)**	**1,550**	**(6,230)**
Impairment loss recognised in respect of property, plant and equipment	**(14,772)**	**–**	**(14,772)**
Fair value change of investments held for trading	**–**	**(39,264)**	**(39,264)**
Segment loss	**(22,552)**	**(37,714)**	**(60,266)**
Directors' emoluments			**(7,223)**
Interest income			**8,574**
Decrease in fair value of investment properties			**(41,529)**
Finance costs			**(1,066)**
Central administrative costs and unallocated corporate expenses			**(26,296)**
Loss before taxation			**(127,806)**

5. SEGMENT INFORMATION – continued

For the year ended 31 December 2016

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
REVENUE	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 investments 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)

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, share of result of a joint venture, impairment loss recognised in respect of amount due from a joint venture, decrease in fair value of investment properties, finance costs and central administrative costs and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. INTEREST INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income on:		
Bank deposits and other receivables	**8,574**	5,339
Loan notes receivable	**–**	8,749
	8,574	14,088

7. OTHER INCOME, GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Fair value change of investments held for trading	**(39,264)**	(5,765)
Gain on early redemption of loan notes receivable	**–**	8,371
Sundry income	**625**	2,756
(Loss) gain on disposal of property, plant and equipment	**(21)**	3,628
	(38,660)	8,990

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on other borrowings	**1,066**	2,280

9. LOSS BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**37,660**	29,982
Auditor's remuneration	**3,816**	3,600
Cost of inventories recognised as expenses	**23,222**	17,616
Minimum lease payments paid in respect of rented premises	**35,646**	34,142
Directors' emoluments	**7,223**	3,068
Salaries and allowances (excluding directors)	**78,211**	71,464
Retirement benefits scheme contribution (excluding directors)	**6,062**	10,464
Equity-settled share-based payment expenses (excluding directors)	**9,610**	–
Total staff costs	**101,106**	84,996
and after crediting:		
Gross rental income from shops in hotel properties less negligible outgoings (included in revenue)	**23,543**	25,000

10. INCOME TAX CREDIT (EXPENSE)

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**(6,164)**	(3,598)
Underprovision in prior years	**(87)**	(100)
	(6,251)	(3,698)
Deferred tax:		
Current year	**8,809**	3,033
	2,558	(665)

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 on Enterprise Income Tax (the "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 2017, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(116,128)**	(86,438)

	Number of shares	
	2017	2016
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	**789,211,046**	789,211,046

For the year ended 31 December 2017, diluted loss per share does not assume the exercise of the Company's share options because the exercise price of the options was higher than the average market price of shares for the period and the assumed exercise of the share option would result in a decrease in loss per share.

Diluted loss per share for the year ended 31 December 2016 was not presented as there were no dilutive potential ordinary shares in issue during the year.

13. PROPERTY, PLANT AND EQUIPMENT

The related part of note 15 to the consolidated financial statements in relation to the emphasis of matter is extracted as follow:

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

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

13. **PROPERTY, PLANT AND EQUIPMENT – continued**

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

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

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

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

14. **INVESTMENT PROPERTIES**

	HK$'000
FAIR VALUE	
At 1 January 2016	229,000
Currency realignment	(14,991)
Decrease in fair value recognised in the profit or loss	(22,009)
At 31 December 2016	192,000
Currency realignment	13,529
Decrease in fair value recognised in the profit or loss	(41,529)
At 31 December 2017	164,000

15. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**7,095**	8,371
Rental and utility deposits	**1,342**	3,087
Other receivables and prepayments	**54,462**	172,892
Total trade and other receivables	**62,899**	184,350

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.

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**6,222**	6,669
31 – 60 days	**637**	1,169
61 – 90 days	**150**	367
Over 90 days	**86**	166
	7,095	8,371

16. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$5,945,000 (2016: HK$5,565,000) and the aged analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**3,485**	3,411
31 – 60 days	**796**	770
61 – 90 days	**528**	545
Over 90 days	**1,136**	839
	5,945	5,565

17. LITIGATION

The Group had the following litigation during the year ended 31 December 2017, in which the management of the Company is of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained at the current stage:

On 27 October 2016, the PRC Partner filed a civil lawsuit at the Intermediate Court, against Allied Glory in respect of a claim for profit sharing in Rosedale Guangzhou of approximately RMB9.6 million. Allied Glory submitted a statement of objection to the High People's Court of Guangdong Province (the "High Court") and received a conclusive judgement dated 2 August 2017 which was issued by the High Court with the legitimacy of the objection filed by Allied Glory and the civil lawsuit was dismissed.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The year of 2017 has been mixing. Despite signs of stabilisation, operating environment remained challenging as the pressures posed by the global economic downturn and the continued economic transition in the People's Republic of China ("PRC") are set to linger. Based on the information released by the World Bank Group, global growth is firming and contributing to an improvement in confidence. A recovery in industrial activity has coincided with a pickup in global trade, after over two years of marked weakness. Despite there have been challenges with unfortunate terrorist events affecting tourism and businesses in global markets, as well as political uncertainly from the Trump's effects and the tension between North Korea and the United States, global Gross Domestic Product ("GDP") growth is accelerated to 3.0% in 2017.

On the other hand, with the same pace as in the previous period while markets expected a 6.8% expansion on the PRC economy, its GDP advanced 6.9% year-on-year in 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 3.8% year-on-year and its GDP for 2017 is expected to grow by 3.0% to 4.0% in real terms, as adjusted downwards due to the slowdown in the local economy.

In view of 2017, total visitors arrivals to Hong Kong amounted to approximately 58.5 million, representing an increase of 3.2%, after dropping by 4.5% in 2016, which accounting for 76.0% of the total were visitors from Mainland China, and those visitors from Mainland China also increased by 3.9% year-on-year, after dropping by 6.7% in 2016. Visitors from the traditional short haul markets (excluding Mainland China) increased by 2.9% in 2017 while those form the traditional haul markets remained stable. Of the total visitors arrivals, overnight visitors accounted for approximately 27.9 million, which was an increase of 5.0% when compared on a year-on-year basis. The average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the year ended 31 December 2017 increased from 87.0% to 89.3%, recorded the fair occupancy gains. Compared to occupancy, the improvement in room rates lagged behind. The overall room rate fell marginally by approximately 3.6% yearly decline in 2017.

FINANCIAL REVIEW

Given the challenging business environment, but with the gradual recovery in the tourist markets, the Group had satisfactory performance during the year under review, reported stable business development with steady performance in respect of its overall hotel investment. Turnover of the Group attained HK$252.3 million for the year ended 31 December 2017, represented an increase of 4.1% as compared to HK$242.3 million for the year ended 31 December 2016. The results of the Group for the year ended 31 December 2017 was a loss of HK$125.2 million (Year ended 31 December 2016: loss of HK$93.2 million) which was mainly attributable to gross profit of HK$100.7 million (Year ended 31 December 2016: gross profit of HK$97.6 million); administrative expenses of HK$126.2 million (Year ended 31 December 2016: HK$159.3 million); distribution and selling expenses of HK$1.2 million (Year ended 31 December 2016: HK$1.5 million); finance costs of HK$1.1 million (Year ended 31 December 2016: HK$2.3 million); equity-settled share-based payment expenses of HK$13.7 million (Year ended 31 December 2016: nil); impairment loss recognised in respect of property, plant and equipment of HK$14.8 million (Year ended 31 December 2016: nil); decrease in fair value on investment properties of HK$41.5 million (Year ended 31 December 2016: HK$22.0 million); decrease in fair value on investments held for trading of HK$39.3 million (Year ended 31 December 2016: HK$5.8 million), partially offset by interest income of HK$8.6 million (Year ended 31 December 2016: HK$14.1 million); other income of HK$0.6 million (Year ended 31 December 2016: HK$14.8 million); and income tax credit of HK$2.6 million (Year ended 31 December 2016: income tax expense of HK$0.7 million).

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

BUSINESS REVIEW

(a) Hotel Investment

The hotel investment 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 4.1% to HK$252.3 million for the year ended 31 December 2017 (Year ended 31 December 2016: HK$242.3 million). With the setback encountered by the tourism industry in the year under review, the combined average occupancy rate of the Group was slightly increased by 1.4% to 75.5% for the year ended 31 December 2017 (Year ended 31 December 2016: 74.1%). If the operational figures of our hotels are only compared with those of other comparable hotels in similar categories, their performance will be in line with market averages. The gross margin was maintained at 39.9% or decreased by 0.4% when compared with the corresponding period in 2016 of 40.3%. To combat the competitive environment, the Group will continue to invest resources to enhancing its market network and positioning and, in the meantime, will further streamline its business operations to contain costs efficiently.

(b) Securities Trading

The segment recorded a loss of HK$37.7 million for the year ended 31 December 2017 (Year ended 31 December 2016: segment loss of HK$5.8 million), representing fair value loss of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 December 2014, the Company entered into a framework agreement (the "Framework Agreement") with two independent third parties (the "Vendors") in relation to the possible acquisition of 51% equity interests in a company owned by the Vendors (the "Possible Acquisition"). Pursuant to the Framework Agreement, among other things, (i) an exclusivity period of three months after the date of the Framework Agreement was granted to the Company; and (ii) the Company and the Vendors shall enter into a loan agreement for a short term interest free loan of HK$75 million (the "Loan Agreement") to facilitate the Vendors to the acquisition of the entire entity interest in a PRC registered company (the "PRC Company") from all its existing shareholders. The PRC Company owns a parcel of land in Zhuhai, the PRC with a site area of 19,152.69 square metres. The PRC Company also owns a hotel property on the aforesaid land known as Zhuhai Lizhou Holiday Hotel. On 31 March 2015, 30 June 2015, 30 September 2015, 30 December 2015, 30 April 2016, 29 December 2016 and 22 June 2017, supplemental framework agreements and extension letters were signed to further extend the exclusivity period and the repayment date of the Loan Agreement to 30 June 2015, 30 September 2015, 31 December 2015, 29 April 2016, 31 December 2016, 30 June 2017 and 31 December 2017, respectively. No formal agreement was entered into between the Company and the Vendors by 31 December 2017, the Framework Agreement (as supplemented by the aforesaid supplemental framework agreements) lapsed on 1 January 2018. Pursuant to the Loan Agreement (as supplemented by the aforesaid extension letters), the interest free loan of HK$75 million was repayable on 31 December 2017. On 29 December 2017, the Venders had repaid it in full to the Company. Further details of the Possible Acquisition 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, 29 December 2016, 22 June 2017 and 2 January 2018.

On 2 July 2015, the Company and an independent third party (the "JV Partner") entered into a memorandum of understanding (the "MOU"), relating to possible investment in a hotel located in Canada (the "Possible Investment"). The Company paid a refundable earnest money of approximately HK$172.9 million (the "Earnest Money") to the JV Partner. The expiry date of the MOU was 31 July 2015. On 31 July 2015, 31 August 2015, 25 September 2015, 30 November 2015 and 29 January 2016, the Company and the JV Partner further entered into letters of extension 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 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.

On 27 December 2017, the Company and independent third parties (the "PRC Vendors") entered into a share transfer agreement ("Agreement"), relating to a proposed acquisition ("Acquisition") of the entire registered capital of a limited liability company established in the PRC (the "Target") at a consideration of RMB280 million (equivalent to approximately HK$334 million). The Company paid a refundable earnest money of RMB20 million (equivalent to approximately HK$24 million) to the PRC Vendors. The principal asset of the Target is a resort property located at Guangdong Province, which is an area with hot springs and forest in the proximity (the "Resort Property"). The Resort Property occupies a site area of about 5,000 mu, of which 980 mu are for residential use, 2,200 mu are for commercial use and 1,820 mu are for amenities. It shall be developed into a modernised health and wellness complex with eco-agricultural theme, comprising hotel, vacation apartments and villas, spa, health management and Chinese medical centre, recreational and sports facilities, and other wellness facilities. As at the date of this announcement, a hotel with 177 guest rooms, 18 vacation villas, a restaurant, 20 trailers and a golf academy and training facilities have been constructed at the site area. Pursuant to the Agreement, the completion of the Acquisition is conditional upon the fulfilment of a number of conditions by 30 April 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's cash and bank balances and investments held for trading amounted to HK$1,823.7 million (31 December 2016: HK$1,720.9 million). The Group has no borrowings as at each of 31 December 2017 and 31 December 2016.

The Group's current assets and current liabilities as at 31 December 2017 were HK$1,889.1 million and HK$185.1 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 31 December 2017 was 10.2 (31 December 2016: 10.5). The gearing ratio as at 31 December 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 31 December 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 3.7% were in Renminbi and the balance of approximately 0.8% were in other currencies. All of the Group's borrowings were in Hong Kong dollar.

USE OF NET PROCEEDS FROM THE SHARE PLACEMENT

The net proceeds of approximately HK$114 million was raised from the share placement in connection with the placing of 131,535,174 new shares at placing price of HK$0.89 per share of the Company that completed on 8 June 2015, and as at the date of this announcement, the net proceeds has been fully utilised for general working capital of the Group which mainly included administrative expenses and staff costs. The use is considered to be consistent with the intended use of proceeds as disclosed in the announcement of the Company dated 26 May 2015 and 27 May 2015.

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at each of 31 December 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 year ended 31 December 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 year ended 31 December 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.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2017, the Group had 657 employees of which 536 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, the growth momentum in global economy is expected to continue on course for further moderate expansion in 2018, although the increasing degree of geopolitical tensions in various regions and increasing political and policy uncertainties are stating potential downside risks. Based on the information released by the World Bank Group, the risks also include increased protectionism, the possibility of financial market turbulence, and, over the longer run, weaker potential growth. Despite the growth prospects have continued to weaken throughout those numbers of downside risks, and the global GDP growth is projected to edge up to 3.1% in 2018, as the cyclical momentum continues, and then slightly moderate to an average of 3.0% in 2019/2020. In China, its economy growth is firmed and contributing to a fast improvement in confidence. Consequently, Central government has implemented various tightening monetary policies to cool down overheated markets. With the China's policy-guided gradual transition, we believe China will continue to play a key role in the future global economic recovery. In the light of this market condition, the Group is optimistic in its future business expansion in China and is geared up to reap the benefits of such expansion.

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. 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.

Under tough conditions over the years with taking a wider and longer term view, we believe our hotels remain well placed in the markets that they operate and we expect to perform in line with expectations in the traditional Chinese New Year 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 maximising the quality and value of our portfolio and creating win-win scenarios for all stakeholders.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for the year ended 31 December 2017 (2016: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2017 including the accounting principles and practices adopted by the Group have been reviewed by the Audit Committee of the Company and audited by the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

AUDIT OPINION

The auditor of the Group has issued an opinion with an emphasis of matter paragraph on the consolidated financial statements of the Group for the period under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

EXTRACT OF THE AUDITOR'S REPORT

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 2017, 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 note 15 to the consolidated financial statements which describes the uncertainty related to the extension of business licence period of Rosedale Hotel Guangzhou Co., Ltd. ("Rosedale Guangzhou"), an indirect non-wholly owned subsidiary of the Company, to 15 January 2027. Should the Group be unable to successfully extend the business licence period, the hotel operations of Rosedale Guangzhou may be affected and further impairment of the hotel property may be required. Our opinion is not modified in respect of this matter.

The above note 15 to the consolidated financial statements is disclosed as note 13 to this announcement.

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 2017 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 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 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 were not appointed for a specific term. However, all Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-Law 99 of the Bye-Laws of the Company ("Bye-Laws"). Every Director is also subject to retirement by rotation at least once every three years according to Code Provision A.4.2 of the Code. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those prescribed by Code Provision A.4.1, and therefore does not intend to take any steps in this regard at the moment.

Code Provision E.1.2

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Company, Dr. Yap, Allan, was unable to attend the annual general meeting of the Company held on 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 ("Shareholders"), if any.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company ("2018 AGM") is scheduled to be held on Thursday, 7 June 2018. The notice of 2018 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 2018 AGM, the register of members of the Company will be closed from Friday, 1 June 2018 to Thursday, 7 June 2018, both days inclusive, during which period no transfer of shares will be registered.

To be eligible to attend and vote at the 2018 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 Thursday, 31 May 2018.

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

Hong Kong, 27 March 2018

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

Executive Directors:
Dr. Yap, Allan *(Chairman)*
Ms. Chan Ling, Eva *(Managing Director)*
Mr. Chan Pak Cheung, Natalis

Independent Non-executive Directors:
Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai