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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)**

#### **(1) MAJOR TRANSACTION AND (2) RESUMPTION OF TRADING**

##### **THE ACQUISITION**

The Board is pleased to announce that after the Stock Exchange trading hours on 27 December 2017, the Company, the Vendors, the Target, Mr. HZ Kuang and Mr. ZG Kuang (together as guarantors to Vendor A) entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire or procure its nominee to acquire the entire registered capital of the Target from the Vendors at a consideration of RMB280 million (equivalent to approximately HK\$334.3 million).

The principal asset of the Target Group is the Resort Property.

##### **LISTING RULES IMPLICATIONS**

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

A circular containing, among other things, (i) details of the Agreement; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) the valuation report on the Resort Property; (v) the unaudited pro forma financial information of the enlarged Group assuming Completion takes place; and (vi) notice of the SGM, is expected to be despatched to the Shareholders on or before 22 January 2018 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Thursday, 28 December 2017 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 1:00 p.m. on Friday, 29 December 2017.

The Board is pleased to announce that after the Stock Exchange trading hours on 27 December 2017, the Company, the Vendors, the Target, Mr. HZ Kuang and Mr. ZG Kuang (together as guarantors to Vendor A) entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire or procure its nominee to acquire the entire registered capital of the Target from the Vendors at a consideration of RMB280 million (equivalent to approximately HK\$334.3 million).

Details of the Agreement are set out below.

### **THE AGREEMENT**

#### **Date**

27 December 2017

#### **Parties**

- (i) The Company;
- (ii) the Vendors;
- (iii) the Target; and
- (iv) Mr. HZ Kuang and Mr. ZG Kuang, who each beneficially owns 50% of the registered capital of Vendor A, as guarantors to guarantee the due and punctual performance of the obligations of Vendor A under the Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Target is beneficially owned as to 80% by Vendor A and 20% by Vendor B; (ii) Vendor A is principally engaged in real estate investment, interior and exterior decoration, property management, hospital management, hotel management, and sale of construction materials, concrete products, thermo, anti-corrosion and anti-oxidation coatings, waterproof and leak-proof materials, pipes, valves, kitchen utensils, metallic materials, mechanical equipments and daily necessities; and (iii) Vendor A, its ultimate beneficial owners and Vendor B are third parties independent of the Company and its connected persons.

### *Assets to be acquired*

Pursuant to the Agreement, the Company has conditionally agreed to acquire or procure its nominee to acquire, and the Vendors have conditionally agreed to sell, the entire registered capital of the Target free from encumbrances and together with all rights attaching thereto from the date of Completion. Detailed information of the Target is set out in the section headed “Information on the Target Group” below.

### *Consideration and payment term*

The consideration for the Acquisition is RMB280 million (equivalent to approximately HK\$334.3 million) which shall be payable by the Company (or its nominee) to the Vendors in cash in the following manner:

- (i) RMB20 million (equivalent to approximately HK\$23.9 million) shall be payable within fifteen business days from the date of the Agreement;
- (ii) RMB40 million (equivalent to approximately HK\$47.8 million) (the “**Second Instalment**”) shall be payable within three business days from the date of the SGM provided that the Shareholders have approved the Agreement and the transactions contemplated thereunder at the SGM (please refer to condition (ii) under the paragraph headed “Conditions precedent” below). Within fifteen business days after receipt of the Second Instalment by the Vendors, Vendor A shall take necessary actions to facilitate the release (the “**Release**”) of all foreclosure orders/ dstraint orders/charges on the shareholding of and assets held by the Target Group (the “**Charges**”);
- (iii) within three business days after the Release and all the conditions precedent (as described below) have been fulfilled, the Vendors shall deliver to the Company the acknowledgement (the “**Acknowledgement**”) issued by relevant PRC authorities in relation to the application for change of shareholders of the Target (the “**Registration**”). Within five business days after receipt of the Acknowledgement, the Company shall pay the Vendors RMB40 million (equivalent to approximately HK\$47.8 million); and
- (iv) the remaining balance of RMB180 million (equivalent to approximately HK\$214.9 million) (the “**Remaining Balance**”) shall be payable upon completion of the Registration.

All potential taxes incurred in relation to the transfer of the Target shall be borne by the Vendors.

The Group intends to finance the consideration for the Acquisition by its internal resources and/or bank borrowings.

The consideration for the Acquisition was determined after arm's length negotiations between the Company and the Vendors taking into account (i) the unaudited consolidated net liabilities of the Target Group as at 30 November 2017 of approximately RMB162.4 million (equivalent to approximately HK\$193.9 million); (ii) the preliminary valuation of the property interests owned by the Target Group for which title documents have been obtained of RMB1,250.0 million (equivalent to approximately HK\$1,492.5 million); (iii) the maximum total liabilities of the Target Group at Completion of RMB1,250.2 million (equivalent to approximately HK\$1,492.7 million) as agreed in the Agreement; and (iv) the development potential of the area in which the Target Group is operating. The aforesaid preliminary valuation of the property interests owned by the Target Group were assessed by an independent professional valuer using direct comparison approach by making reference to comparable transactions as available in the relevant market and where appropriate, depreciated replacement costs approach which is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

#### ***Other terms***

Pursuant to the Agreement, the Vendors have agreed that at Completion, the total liabilities of the Target Group shall not exceed RMB1,250.2 million (equivalent to approximately HK\$1,492.7 million). Vendor A shall be responsible for settling all other liabilities in excess of the aforesaid balance, or the Company shall have the right to deduct such excess amount of liabilities from the Remaining Balance payable to the Vendors.

#### ***Liabilities for breach of obligations***

In the event the Vendors (i) fail to provide the documents requested by the Company during the due diligence process; or (ii) fail to apply for the Registration pursuant to the Agreement, the Vendors shall pay the Company a daily penalty calculated on the basis of 0.03% of the portion of consideration already paid by the Company since the date of the breach. If the Vendors delay in performing their obligations for 30 days, the Company shall have the right to terminate the Agreement.

In the event the Company fails to settle the consideration according to the payment terms described above, the Company shall pay the Vendors a daily penalty calculated on the basis of 0.03% of the portion of consideration payable since the date of the breach. If the Company delays in performing its obligations for 30 days, the Vendors shall have the right to terminate the Agreement.

In the event that the Agreement is terminated as a result of such breaches, the party who failed to perform its obligations shall pay the other party a compensation calculated at 30% of the consideration for the Acquisition.

### ***Conditions precedent***

Completion is conditional upon the satisfaction of the following conditions:

- (i) the Company being satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs (including but not limited to legal, financial and commercial aspects) of the Target Group;
- (ii) the passing of the ordinary resolution(s) by the Shareholders at the SGM to be convened and held to approve the Agreement and the transactions contemplated thereunder;
- (iii) the Company having obtained a legal opinion (in such form and substance to the satisfaction of the Company) to be issued by a PRC legal adviser appointed by the Company in respect of the Target Group;
- (iv) the Company having received a valuation report issued by an independent professional valuer appointed by the Company (in such form and substance satisfactory to the Company) showing the value of the Resort Property to be not less than RMB1,250 million (equivalent to approximately HK\$1,492.5 million);
- (v) all necessary approvals and consents in relation to the Agreement and the transactions contemplated thereunder having been obtained;
- (vi) the Release having been obtained;
- (vii) the representations, warranties and undertakings given by the Vendors under the Agreement remaining true and accurate and not misleading; and
- (viii) the agreement entered into between the Target and an independent third party in November 2013 in relation to the sale by the Target of a parcel of land with a site area of 45 mu having been terminated.

If any of the above conditions is not fulfilled (the “**Non-fulfillment**”) on or before 5:00 p.m. on 30 April 2018 or the Company delivers a written notice (the “**Written Notice**”) to the Vendors that the Company is not satisfied with the results of the due diligence review pursuant to condition (i) above, the portion of the consideration received by the Vendors shall be refunded to the Company without interest on 30 April 2018 or within two business days upon the receipt of the Written Notice, and the Agreement shall lapse and be of no further effect except for antecedent breach.

### ***Completion***

Completion shall take place upon completion of the Registration. Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company, and the results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

## INFORMATION ON THE TARGET GROUP

Based on the information provided by the Vendors, the Target is a limited liability company established in the PRC. The principal asset of the Target Group is the Resort Property. The Resort Property is located at 廣東省河源市東源縣康禾鎮 (Kanghe Town, Dongyuan County, Heyuan City, Guangdong Province\*), which is an area with hot springs and forest in the proximity. The Resort Property is also easily accessible through major highways in Guangdong. The Target Group intends to develop the Resort Property into one of the four main resort destinations in the Greater Bay Area focusing on spa tourism, recreational vacation, health and wellness, and sojourn and elderly care. The Resort Property 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.

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. Out of the site area, the Target Group has obtained certificates of land use rights for an area of 1,040.28 mu (comprising 426.67 mu for residential use and 613.61 mu for commercial use) and certificate of forestry rights for an area of 2,051.48 mu.

As at the date of this announcement, a hotel with 177 guest rooms and gross floor area of about 19,225 sq.m., 18 vacation villas, a restaurant, 20 trailers and a golf academy and training facilities have been constructed at the site, of which operations have commenced in early 2016. Property ownership certificates have been obtained in respect of superstructures constructed at the site with a total gross floor area of approximately 20,671 sq.m.. The Target Group plans to complete the construction of a spa hotel with gross floor area of about 73,549 sq.m., a main building for the golf academy with gross floor area of about 16,310 sq.m., a convention centre with gross floor area of about 10,171 sq.m., and other ancillary facilities in late 2018 to early 2019.

A summary of the unaudited consolidated financial information of the Target Group prepared in accordance with the generally accepted accounting principles in Hong Kong provided by the Vendors is set out below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(unaudited)	(unaudited)
Revenue	–	4,971
Loss before and after tax	–	2,197

**As at  
30 November  
2017  
(RMB'000)  
(unaudited)**

Net liabilities attributable to the owners of the Target Group **162,376**

Taking into account the preliminary valuation of the property interests held by the Target Group for which title documents have been obtained of approximately RMB1,250 million and the carrying value of the aforesaid property interests in the unaudited consolidated management accounts of the Target Group as at 30 November 2017 of approximately RMB800.4 million, the revalued unaudited consolidated net assets of the Target Group would have been approximately RMB287.2 million (equivalent to approximately HK\$342.9 million). The consideration for the Acquisition of RMB280 million represents a discount of approximately 2.5% to such revalued unaudited consolidated net assets of the Target Group.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in hotel operation and trading of securities. At present, the Group owns three hotels in Guangzhou, Shenyang and Luoyang, the PRC, and manages a hotel in Hong Kong.

The Board considers the Acquisition is in line with the principal activity of the Group in hotel operation and represents an opportunity for the Group to further expand and strengthen its market position in the hotel and tourism industry in the PRC. In particular, the focus of the Resort Property on eco-tourism, health and wellness is believed to bring tremendous growth potential to the Group along with the PRC policies to promote tourism. Meanwhile, the Target Group will benefit from the sharing of the Group's experience and expertise in hotel management as well as the potential synergy with the Group's hotel operation business in Guangdong province. Taking into account the above, the Board is of the view that the terms of the Agreement are on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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## RESUMPTION OF TRADING

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## DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the proposed acquisition of the entire registered capital of the Target by the Company pursuant to the terms and conditions of the Agreement
“Agreement”	the share transfer agreement dated 27 December 2017 entered into among the Company, the Vendors, the Target, Mr. HZ Kuang and Mr. ZG Kuang in respect of the Acquisition
“Board”	the board of Directors
“Company”	Rosedale Hotel Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 1189)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. HZ Kuang”	鄺華仔先生 (Mr. Kuang Hua Zi*)
“Mr. ZG Kuang”	鄺照光先生 (Mr. Kuang Zhao Guang*)



“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Resort Property”	the development known as 廣東康泉十八國際生態健康旅遊城 (Guangdong Kangquan Eighteen International Eco-Health Travel City*) occupying a site area of approximately 5,000 mu and located at 廣東省河源市東源縣康禾鎮 (Kanghe Town, Dongyuan County, Heyuan City, Guangdong Province*)
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	廣東康泉十八國際生態健康旅遊城有限公司(Guangdong Kangquan Eighteen International Eco-Health Travel Co., Ltd.*), a company established in the PRC with limited liability which is held as to 80% by Vendor A and as to 20% by Vendor B as at the date of the Agreement
“Target Group”	the Target and its subsidiaries (from time to time)
“Vendor A”	東莞市銀基集團有限公司 (Dongguan Yinji Group Co., Ltd.*), a company established in the PRC with limited liability
“Vendor B”	鄺艷芳女士 (Ms. Kuang Yan Fang*)
“Vendors”	together, Vendor A and Vendor B
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“mu”	畝, a unit of land area in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre(s)

*For illustration purpose only, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1 = HK\$1.194. No representation is made that any amounts in HK\$ and RMB have been or could be converted at the above rate or at any other rates or at all.*

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

Hong Kong, 29 December 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

\* *for identification purpose only*