Rosedale

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 2018

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 2018 together with comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	4	**263,011**	252,311
Direct operating costs		**(156,713)**	(151,633)
Gross profit		**106,298**	100,678
Other income, gains and losses	6	**(6,157)**	(30,086)
Distribution and selling expenses		**(1,274)**	(1,143)
Administrative and other operating expenses		**(137,552)**	(126,173)
Finance costs	7	**(376)**	(1,066)
Equity-settled share-based payment expenses		**–**	(13,715)
Impairment loss recognised in respect of property, plant and equipment		**–**	(14,772)
Decrease in fair value of investment properties	13	**(26,704)**	(41,529)

	NOTES	**2018** HK$'000	2017 HK$'000
Loss before tax		**(65,765)**	(127,806)
Income tax credit	*8*	**66,188**	2,558
Profit (loss) for the year	*9*	**423**	(125,248)
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(33,367)**	52,885
Total comprehensive expense for the year		**(32,944)**	(72,363)
(Loss) profit for the year attributable to:			
Owners of the Company		**(3,785)**	(116,128)
Non-controlling interests		**4,208**	(9,120)
		423	(125,248)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(31,891)**	(71,501)
Non-controlling interests		**(1,053)**	(862)
		(32,944)	(72,363)
LOSS PER SHARE	*11*		
– Basic (HK$)		**(0.00)**	(0.15)
– Diluted (HK$)		**(0.00)**	(0.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-Current Assets			
Property, plant and equipment	12	**296,234**	401,111
Investment properties	13	**130,000**	164,000
Other asset		**19,800**	19,800
		446,034	584,911
Current Assets			
Inventories		**1,536**	2,556
Trade and other receivables	14	**26,185**	62,899
Investments held for trading		**7,068**	22,343
Bank balances and cash		**1,859,781**	1,801,383
		1,894,570	1,889,181
Assets classified as held for sale	15	**50,438**	–
		1,945,008	1,889,181
Current Liabilities			
Trade and other payables	16	**93,336**	108,189
Tax liabilities		**9,873**	76,874
Contract liabilities		**3,243**	–
		106,452	185,063
Liabilities associated with assets classified as held for sale	15	**36,618**	–
		143,070	185,063
Net Current Assets		**1,801,938**	1,704,118
Total Assets Less Current Liabilities		**2,247,972**	2,289,029
Non-Current Liability			
Deferred tax liabilities		**33,041**	41,154
Net Assets		**2,214,931**	2,247,875

	2018	2017
	HK$'000	*HK$'000*
Capital And Reserves		
Share capital	**7,892**	7,892
Reserves	**2,016,436**	2,048,327
Equity attributable to owners of the Company	**2,024,328**	2,056,219
Non-controlling interests	**190,603**	191,656
Total Equity	**2,214,931**	2,247,875

1. GENERAL

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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

Except as described below, the application of the new and 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.

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18, HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- hotel rooms
- food and beverage

Information about the Group's performance obligations resulting from application of HKFRS 15 is disclosed in note 4.

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 does not have significant impact on the timing and amounts of revenue recognised nor the accumulated losses at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying Amounts previously reported at 31 December 2017	Reclassification	**Carrying amounts under HKFRS 15 at 1 January 2018**
	HK\$'000	*HK\$'000*	***HK\$'000***
		(Note)	
CURRENT LIABILITIES			
Trade and other payables	108,189	(3,074)	**105,115**
Contract liabilities	–	3,074	**3,074**

Note: As at 1 January 2018, advances from customers of HK\$3,074,000 previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade and other payables	93,336	3,243	96,579
Contract liabilities	3,243	(3,243)	–

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Increase in trade and other payables	3,567	169	3,736
Increase in contract liabilities	169	(169)	–

HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

Classification and measurement

The application of HKFRS 9 has no impact on the classification and measurement of the Group's financial assets and financial liabilities at the date of initial application, 1 January 2018. All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance was recognised against accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. REVENUE

Year ended 31 December 2018

Disaggregation of revenue from contracts with customers

Segments	**Hotel operations** *HK$'000*	**Securities trading** *HK$'000*
Types of service		
Hotel rooms	180,482	–
Food and beverage	33,656	–
	214,138	–
Geographical markets		
Hong Kong	106,746	–
People's Republic of China (the "PRC")	107,392	–
	214,138	–
Timing of revenue recognition		
At a point in time	33,656	–
Over time	180,482	–
	214,138	–

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Segment revenue and consolidated
	HK$'000
Hotel operations	214,138
Securities trading	–
Revenue from contracts with customers	214,138
Rental income	48,873
Total revenue	263,011

Performance obligations for contracts with customers

The Group's revenue contracts with customers consist of hotel rooms and food and beverage.

The transaction price of hotel rooms and food and beverage is the net amount collected from the customer for such goods and services. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for food and beverage.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays. For such arrangements, the Group allocates revenue to each good or service based upon its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms and food and beverage based upon the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

Year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	2017
	HK$'000
Hotel operations income	204,604
Rental income	47,707
	252,311

5. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided and activities carried out by the Group's operating divisions.

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

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

2. Securities trading – trading of equity securities

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

Segment revenues and results

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

Year ended 31 December 2018

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
REVENUE	**263,011**	**–**	**263,011**
RESULTS			
Segment loss excluding loss on fair value changes of investments held for trading	**(12,205)**	**(403)**	**(12,608)**
Loss on fair value changes of investments held for trading	**–**	**(9,442)**	**(9,442)**
Segment loss	**(12,205)**	**(9,845)**	**(22,050)**
Directors' emoluments			**(3,226)**
Interest income			**3,975**
Decrease in fair value of investment properties			**(26,704)**
Finance costs			**(376)**
Central administrative costs and unallocated corporate expenses			**(17,384)**
Loss before tax			**(65,765)**

Year ended 31 December 2017

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
REVENUE	252,311	–	252,311
RESULTS			
Segment (loss) profit excluding impairment loss recognised in respect of property, plant and equipment and loss on fair value changes of investments held for trading	(7,780)	1,550	(6,230)
Impairment loss recognised in respect of property, plant and equipment	(14,772)	–	(14,772)
Loss on fair value changes 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 tax			(127,806)

Segment loss represents the loss from each segment without allocation of directors' emoluments, interest income, 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. OTHER INCOME, GAINS AND LOSSES

	2018 ***HK$'000***	2017 *HK$'000*
Loss on fair value changes of investments held for trading	**(9,442)**	(39,264)
Net exchange loss	**(2,187)**	(655)
Interest income on bank deposits and other receivables	**3,975**	8,574
Sundry income	**1,518**	1,280
Loss on disposal of property, plant and equipment	**(21)**	(21)
	(6,157)	(30,086)

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on other borrowings	**376**	1,066

8. INCOME TAX CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**5,694**	6,164
Under(over)provision in prior years:		
PRC Enterprise Income Tax	**171**	87
Capital gain tax *(Note)*	**(66,744)**	–
Deferred tax:		
Current year	**(5,309)**	(8,809)
	(66,188)	(2,558)

Note: This relates to reversal of a provision for capital gain tax payable in relation to a deemed disposal of a subsidiary in the PRC that was completed in November 2013.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 PRC 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.

9. PROFIT (LOSS) FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Directors' emoluments	**3,226**	7,223
Other staff:		
Salaries and allowances	**78,236**	78,211
Contributions to retirement benefits scheme	**6,339**	6,062
Equity-settled share-based payment expenses	**–**	9,610
Total employee benefits expense	**87,801**	101,106
Auditor's remuneration	**2,971**	3,816
Cost of inventories recognised as expenses	**24,238**	23,222
Depreciation of property, plant and equipment	**36,698**	37,660
Electricity, water and utilities	**15,478**	15,820
Gross rental income from investment properties less negligible outgoings (included in revenue)	**(24,808)**	(24,164)

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

11. 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:

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(3,785)**	(116,128)

Number of shares

	2018	2017
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	**789,211,046**	789,211,046

The computation of diluted loss per share for both years does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

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

Allied Glory applied for an arbitral award (the "Arbitral Award") to reinstate 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 People's Court (the "Intermediate Court") for enforcement of the Arbitral Award and the application was accepted by the Intermediate Court in July 2017. The Intermediate Court directed such application to Guangzhou Haizhu Court which subsequently issued an execution order (the "Execution Order") to Bureau of Guangzhou Haizhu Industry and Information Technology (廣州市海珠區科技工業商務和信息化局) and Bureau of Guangzhou Haizhu Market and Quality Supervision (廣州市海珠區市場和質量監督管理局) on 14 September 2017 enabling Allied Glory to apply for the relevant business licence. On 30 November 2017, the Execution Order was suspended due to the fact that, based on the reply from the Bureau of Guangzhou Haizhu Market and Quality Supervision, the unilateral application for the extension of the business licence could not be proceeded as it is subject to further re-submission with relevant extension documents.

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

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2017	192,000
Exchange adjustment	13,529
Decrease in fair value recognised in the profit or loss	(41,529)
At 31 December 2017	164,000
Exchange adjustment	(7,296)
Decrease in fair value recognised in the profit or loss	(26,704)
At 31 December 2018	130,000

14. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
– services	**6,591**	6,147
– operating leases	**1,521**	948
	8,112	7,095
Rental and utility deposits	**1,294**	1,342
Other receivables and prepayments for operating expenses	**16,779**	54,462
Total trade and other receivables	**26,185**	62,899

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$6,591,000 and HK$6,147,000 respectively.

The following is an aged analysis of trade receivables presented based on the invoice dates which approximated the respective revenue recognition date.

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**6,359**	6,222
31 – 60 days	**492**	637
61 – 90 days	**356**	150
Over 90 days	**905**	86
	8,112	7,095

15. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 23 November 2018, Shropshire Property Limited ("Shropshire Property"), an indirect wholly-owned subsidiary of the Company, and Luoyang Dinghe Electric Construction Company Limited (洛陽鼎和電力建設有限公司) (the "Purchaser") entered into a sale and purchase agreement ("Disposal Agreement"), pursuant to which Shropshire Property has conditionally agreed to dispose to the Purchaser of its entire equity interest in Luoyang Golden Gulf Hotel Company Limited (洛陽金水灣大酒店有限公司) ("Luoyang Golden Gulf"), a 60% owned subsidiary of Shropshire Property, at a consideration of Renminbi ("RMB") 61,000,000 (equivalent to approximately HK$68,500,000). A deposit of RMB21,000,000 (equivalent to approximately HK$23,906,000) was received by the Company in November 2018 and included in "trade and other payables".

The assets and liabilities attributable to Luoyang Golden Gulf, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of Luoyang Golden Gulf classified as held for sale as at 31 December 2018 are set out below. The major asset is Luoyang Golden Gulf Hotel situated in Luoyang in the PRC.

	HK$'000
Property, plant and equipment	47,128
Inventories	696
Trade and other receivables	2,435
Bank balances and cash	179
Total assets classified as held for sale	50,438
Trade and other payables	35,535
Tax liabilities	350
Deferred tax liabilities	733
Total liabilities classified as held for sale	36,618

As at the date of this announcement, the disposal has not been completed as the main condition precedent requiring the passing of a resolution by the shareholders of the Company approving the Disposal Agreement and the transactions contemplated thereunder is not yet fulfilled.

16. TRADE AND OTHER PAYABLES

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

The aged analysis of the trade payables presented based on the invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**2,913**	3,485
31 – 60 days	**565**	796
61 – 90 days	**499**	528
Over 90 days	**804**	1,136
	4,781	5,945

17. LITIGATION

On 27 December 2017, the Company and two independent third parties (the "Vendors") entered into an agreement (the "Agreement") pursuant to which the Company has conditionally agreed to acquire or procure its nominee to acquire the entire registered capital of a target group from the Vendors at a consideration of RMB280,000,000 (equivalent to approximately HK$334,300,000). The principal asset of the target group is the resort property which is located in Guangdong Province, the PRC, being an area with hot springs and forest in the proximity. 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. An amount of RMB20,000,000, being the first instalment of the consideration, was paid to the Vendors in January 2018 in accordance with the Agreement.

On 27 April 2018, the Company completed submitting an application to the Guangzhou Arbitration Commission for arbitration of the matter, seeking an arbitral award that, among other things, (i) the Vendors to continue fulfilling the obligations under the Agreement; (ii) the Vendors to cooperate with the Company and provide all necessary documents and information in order to complete the due diligence work pursuant to the Agreement; (iii) the Vendors to cooperate with the Company to complete all conditions precedent to the Agreement on or before 30 October 2018; and (iv) the Vendors to pay the default penalty under the Agreement and the legal costs incurred to the Company.

On 27 April 2018, the Company was served an arbitration application (which together with the arbitration application lodged by the Company as set out above shall be referred to as the "Arbitration Applications") lodged by the Vendors demanding (i) termination of the Agreement; and (ii) payment by the Company for default penalty together with legal costs and arbitration fee.

The details are set out in the announcements of the Company dated 29 December 2017, 22 January 2018, 15 February 2018, 9 March 2018, 28 March 2018, and 27 April 2018.

On 27 September 2018, the Company entered into settlement agreement with the Vendors pursuant to which the Company and the Vendors agreed to (i) terminate the Agreement; (ii) withdraw the Arbitration Applications; (iii) bear respective legal costs and arbitration fee; (iv) and the Vendors to refund the deposit of RMB20,000,000 to the Company.

The deposit was refunded to the Company in full before the end of the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

Despite signs of stabilisation, operating environment remained challenging as the pressures posed by the United States trade negotiation, the global economic downturn and the continued economic transition in the People's Republic of China (the "PRC") are set to linger. With the same pace as in the previous period while markets expected a 6.7% expansion on the PRC economy, its GDP advanced 6.6% year-on-year in 2018, reflecting a negative growth of about 0.3% as compared to 2017. Despite the geopolitical uncertainties and protectionism like the trade war, its economy continues to pursuit long term growth opportunities inorganically. Meanwhile, Hong Kong's retail premises have seen rental up running in core areas on the back of increased tourists numbers and strong local employment rate, for 2018 as a whole, Hong Kong's GDP grew by 3% in real terms, that was faster than the trend growth of 2.8% over the past ten years for the second year.

In 2018, total visitors arrivals to Hong Kong amounted to approximately 65.1 million, representing an increase of 11.4%, after growing by 3.2% in 2017, which accounting for 78.3% of the total were visitors from Mainland China, and those visitors from Mainland China also increased by 14.8% year-on-year, after rising by 3.9% in 2017. With the stabilisation of downward pressure posed by the "one trip one week" measure on arrivals more than two years after its implementation, same-day Mainland China arrivals increased mildly by 2.0%. Visitors from the traditional short haul markets (excluding from Mainland China) dropped by 0.6% in 2018. Of the total visitors arrivals, overnight visitors accounted for approximately 29.3 million, which was an increase of 4.9% 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 2018 increased from 89.3% to 91.0%, recorded the fair occupancy gains. Compared to occupancy, the overall room rate rose marginally by approximately 6.8% yearly in 2018.

FINANCIAL REVIEW

Given the challenging business environment, but with the gradual recovery in the tourist markets, the Group had reported stable business development with steady performance in respect of its overall hotel investment during the year under audit. Revenue of the Group attained HK$263.0 million for the year ended 31 December 2018, representing an increase of 4.2% as compared to HK$252.3 million for the year ended 31 December 2017. The results of the Group for the year ended 31 December 2018 was a profit of HK$0.4 million (Year ended 31 December 2017: loss of HK$125.2 million) which was mainly attributable to gross profit of HK$106.3 million (Year ended 31 December 2017: gross profit of HK$100.7 million); administrative expenses of HK$137.6 million (Year ended 31 December 2017: HK$126.2 million); distribution and selling expenses of HK$1.3 million (Year ended 31 December 2017: HK$1.2 million); finance costs of HK$0.4 million (Year ended 31 December 2017: HK$1.1 million); equity-settled share-based payment expenses of nil (Year ended 31 December 2017: HK$13.7 million); impairment loss recognised in respect of property, plant and equipment of nil (Year ended 31 December 2017: HK$14.8 million); decrease in fair value of investment properties of HK$26.7 million (Year ended 31 December 2017: HK$41.5 million); fair value loss on investments held for trading of HK$9.4 million (Year ended 31 December 2017: HK$39.3 million); and other expenses of HK$0.7 million (Year ended 31 December 2017: other income of HK$0.6 million), offset by interest income of HK$4.0 million (Year ended 31 December 2017: HK$8.6 million); and income tax credit of HK$66.2 million (Year ended 31 December 2017: income tax credit of HK$2.6 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 segment comprises three "Rosedale" branded 4-star rated hotels located in Hong Kong, Guangzhou and Shenyang and the Luoyang Golden Gulf Hotel. Overall revenue generated from hotel investment increased by 4.2% to HK$263.0 million for the year ended 31 December 2018 (Year ended 31 December 2017: HK$252.3 million). The combined average occupancy rate of the Group slightly decreased by 0.7% to 74.8% for the year ended 31 December 2018 (Year ended 31 December 2017: 75.5%). 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 40.4% or increased by 0.5% when compared with the corresponding period in 2017 of 39.9%. 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$9.8 million for the year ended 31 December 2018 (Year ended 31 December 2017: segment loss of HK$37.7 million), mainly representing fair value loss of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 December 2014, the Company entered into a framework agreement (the "Framework Agreement") with two independent third parties (the "Vendors") in relation to the possible acquisition of 51% equity interests in a company owned by the Vendors (the "Possible Acquisition"). Pursuant to the Framework Agreement, among other things, (i) an exclusivity period of three months after the date of the Framework Agreement was granted to the Company; and (ii) the Company and the Vendors entered into a loan agreement for a short term interest free loan of HK$75.0 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 Vendors 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 27 December 2017, the Company and independent third parties (the "PRC Vendors") entered into a share transfer agreement (the "Agreement"), relating to a proposed acquisition (the "Acquisition") of the entire registered capital of a limited liability company established in the PRC (the "Target") at a consideration of RMB280.0 million (the "Consideration", equivalent to approximately HK$334.3 million). The Company paid the first instalment of the Consideration of RMB20.0 million (equivalent to approximately HK$24.8 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. Pursuant to the Agreement, the completion of the Acquisition was conditional upon the fulfilment of a number of conditions by 30 April 2018. The PRC Vendors, however refused and failed to cooperate with the Company during the due diligence process, and as a result, the Company's legal and financial due diligence on the Target could not be finalised. On 27 April 2018, the Company has completed submitting the application to the Guangzhou Arbitration Commission for arbitration of the matter, seeking an arbitral award that, among other things, (i) the PRC Vendors continue fulfilling the obligations under the Agreement; (ii) the PRC Vendors to cooperate with the Company and provide all necessary documents and information in order to complete the due diligence work pursuant to the Agreement; (iii) the PRC Vendors to cooperate with the Company to complete all conditions precedent to the Agreement on or before 30 October 2018; and (iv) the PRC Vendors to pay the default penalty under the Agreement and the legal costs incurred to the Company. At the same time, the Company has also been served an arbitration application, which together with the arbitration application lodged by the Company as set out above shall be referred to as (the "Arbitration Applications") lodged by the PRC Vendors demanding (i) termination of the Agreement; and (ii) payment by the Company for default penalty together with legal costs and arbitration fee. On 27 September 2018, the Company entered into a settlement agreement with the PRC Vendors, that terminating the Agreement and withdrawing the Arbitration Applications, in order to avoid litigation risks and expenses, and to focus on the future development of the Company. The first instalment of the Consideration of RMB20.0 million was fully refunded to the Company before 31 December 2018. Further details were set out in the announcements of the Company dated 29 December 2017, 22 January 2018, 15 February 2018, 9 March 2018, 28 March 2018, 27 April 2018 and 27 September 2018.

On 23 November 2018, an indirect wholly-owned subsidiary of the Company (the "Subsidiary") and an independent third party (the "Purchaser") entered into a disposal agreement (the "Disposal Agreement"), in relation to the possible disposal of 60% equity interests in Luoyang Golden Gulf Hotel Company Limited (the "Target Company"), a limited liability company established in the PRC and owned as to 60% by the Subsidiary at a consideration of RMB61 million (equivalent to approximately HK$68.5 million) (the "Consideration"). The Purchaser paid the Subsidiary RMB21 million (equivalent to approximately HK$23.9 million) (the "Deposit") upon both parties signing of the Disposal Agreement. The Purchaser and the Subsidiary shall enter into an escrow agreement and open an escrow account (the "Escrow Account") within 3 business days after the shareholders of the Company ("Shareholders") at the special general meeting have approved the Disposal Agreement. The remaining balance of the Consideration of RMB40 million (equivalent to approximately HK$44.6 million), shall be deposited into the Escrow Account by the Purchaser within 3 business days upon opening of such account. As at the date of Disposal Agreement, the Target Company has leased out certain spaces to tenants. Pursuant to the Disposal Agreement, the Subsidiary has undertaken not to request the tenants for any advanced rental for the next year. In the event the Target Company has received any such advanced rental payment, the amount of the Consideration payable by the Purchaser to the Subsidiary shall be reduced accordingly. Further details were set out in the announcements of the Company dated 26 November 2018, 17 December 2018, 31 December 2018, 18 January 2019, 4 February 2019 and 8 March 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's cash and bank balances and investments held for trading amounted to HK$1,866.8 million (31 December 2017: HK$1,823.7 million). The Group has no borrowings as at each of 31 December 2018 and 31 December 2017.

The Group's current assets and current liabilities as at 31 December 2018 were HK$1,945.0 million and HK$143.0 million (31 December 2017: HK$1,889.1 million and HK$185.1 million), respectively. As a result, the current ratio of the Group as at 31 December 2018 was 13.6 (31 December 2017: 10.2). The gearing ratio as at 31 December 2018, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was nil (31 December 2017: nil).

As at each of 31 December 2018 and 31 December 2017, 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 4.6% (31 December 2017: 3.7%) were in Renminbi and the balance of nil (31 December 2017: 0.8%) were in other currencies.

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

FOREIGN CURRENCY EXPOSURE

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollar and Renminbi. During the year ended 31 December 2018, the Group has not entered into any hedging arrangements. However, the Group will actively consider the use of relevant financial instruments to manage currency exchange risks in line with our business development.

INTEREST RATE EXPOSURE

During the year ended 31 December 2018, the Group was not subject to the risk of significant interest rate volatility. The Company will continue to monitor the interest rate markets and actively consider the application of relevant financial instruments to manage risks associated with interest rates.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2018, the Group had 623 employees of which 504 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 hotel market shall continue to recover steadily but the overall external economic environment is still posing uncertainties, including the increased geopolitical tensions, tightened credit conditions and the normalization of interest rates. It is also quite obvious that the US-China trade tension is expected to continue and raise uncertainties over both political and financial risks. Short term fluctuations in the market are expected in 2019, but the longer term outlook remains optimistic.

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

Riding on China's growth story and under tough conditions over the past few years with taking a wider and longer term view, and with 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, we believe our hotels remain well placed in the markets that they operate and we expect to perform in line with expectations in the coming year. 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.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for the year ended 31 December 2018 (2017: 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 year ended 31 December 2018.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2018 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, Moore Stephens CPA Limited.

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 INDEPENDENT AUDITOR'S REPORT" below.

EXTRACT OF THE INDEPENDENT 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 2018, 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 uncertainties related to the extension of business licence period of Rosedale Hotel Guangzhou Co., Ltd. ("Rosedale Guangzhou"), an indirect non-wholly owned subsidiary of the Company, whose business licence to operate its hotel expired on 15 January 2017. Should the Group be unable to successfully extend the business licence period, the hotel operations of Rosedale Guangzhou may be affected and further impairment of the hotel property and related assets may be required. Our opinion is not modified in respect of this matter.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company had complied with the code provisions set out in the Corporate Governance Code ("Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year ended 31 December 2018, except for the following deviations:

Code Provision A.4.1

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

Code Provision E.1.2

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Company, Dr. Yap, Allan, was unable to attend the annual general meeting of the Company held on 7 June 2018 ("2018 AGM") as he had other business engagement. Ms. Chan Ling, Eva, the Managing Director of the Company, attended and took the chair of the 2018 AGM in accordance with Bye-Law 68 of the Bye-Laws and answered questions from Shareholders.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company ("2019 AGM") is scheduled to be held on 30 May 2019. The notice of 2019 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 2019 AGM, the register of members of the Company will be closed from Friday, 24 May 2019 to Thursday, 30 May 2019, both days inclusive, during which period no transfer of shares will be registered.

To be eligible to attend and vote at the 2019 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, 23 May 2019.

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

Hong Kong, 28 March 2019

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