Rosedale Hotel Holdings Limited
珀麗酒店控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board ("Board") of directors ("Directors") of Rosedale Hotel Holdings Limited ("Company") announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as "Group") for the six months ended 30 June 2019 together with comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue			
Contracts with customers		**94,091**	102,269
Rental		**24,509**	25,299
Total revenue	3	**118,600**	127,568
Direct operating costs		**(82,205)**	(77,733)
Gross profit		**36,395**	49,835
Other income, gains and losses	4	**512**	(5,090)
Distribution and selling expenses		**(503)**	(672)
Administrative and other operating expenses		**(57,256)**	(75,172)
Fair value loss on investment properties	11	**(16,088)**	(12,253)
Finance costs	5	**(2,069)**	(207)

		Six months ended 30 June	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Loss before tax		**(39,009)**	(43,559)
Income tax expense	6	**(1,556)**	(1,733)
Loss for the period	7	**(40,565)**	(45,292)
Other comprehensive income (expense) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**6,576**	(8,283)
Total comprehensive expense for the period		**(33,989)**	(53,575)
Loss for the period attributable to:			
Owners of the Company		**(38,576)**	(42,632)
Non-controlling interests		**(1,989)**	(2,660)
		(40,565)	(45,292)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(32,764)**	(49,554)
Non-controlling interests		**(1,225)**	(4,021)
		(33,989)	(53,575)
LOSS PER SHARE	9		
Basic *(HK$)*		**(0.05)**	(0.05)
Diluted *(HK$)*		**(0.05)**	(0.05)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	**30 June 2019** **HK$'000** **(unaudited)**	31 December 2018 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	10	**285,448**	296,234
Investment properties	11	**114,000**	130,000
Right-of-use assets	10	**61,871**	–
Rental deposit		**18,240**	19,800
		479,559	446,034
Current assets			
Inventories		**1,462**	1,536
Trade and other receivables	12	**25,955**	26,185
Investments held for trading	13	**5,875**	7,068
Bank balances and cash		**1,856,150**	1,859,781
		1,889,442	1,894,570
Assets classified as held for sale	14	**51,295**	50,438
		1,940,737	1,945,008
Current liabilities			
Trade and other payables	15	**91,093**	93,336
Tax liabilities		**9,862**	9,873
Lease liabilities		**38,955**	–
Contract liabilities		**2,042**	3,243
		141,952	106,452
Liabilities associated with assets classified as held for sale	14	**37,259**	36,618
		179,211	143,070
Net current assets		**1,761,526**	1,801,938
Total assets less current liabilities		**2,241,085**	2,247,972
Non-current liabilities			
Deferred tax liabilities		**31,735**	33,041
Lease liabilities		**22,333**	–
		54,068	33,041
Net assets		**2,187,017**	2,214,931

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Capital and reserves		
Share capital	**7,892**	7,892
Reserves	**1,989,103**	2,016,436
Equity attributable to owners of the Company	**1,996,995**	2,024,328
Non-controlling interests	**190,022**	190,603
Total equity	**2,187,017**	2,214,931

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of Rosedale Hotel Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17") and the related interpretations.

Summary of effects arising from initial application of HKFRS 16

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$74,742,000 and right-of-use assets of HK$76,575,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.625% per annum.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	80,054
Lease liabilities discounted at relevant incremental borrowings rates	75,579
Less: Recognition exemption - short-term leases	(837)
Lease liabilities as at 1 January 2019	74,742
Analysed as	
Current	36,323
Non-current	38,419
	74,742

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		74,742
Adjustment on rental deposits at 1 January 2019	(a)	1,833
		76,575
By class:		
Land and buildings		76,575

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019.

	Notes	*HK$'000* Increase (decrease)
Accumulated losses		
Adjustment on rental deposits at 1 January 2019	(a)	196
Adjustment on lease accruals	(b)	(5,627)
Impact at 1 January 2019		(5,431)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 *HK$'000*	Adjustments *HK$'000*	**Carrying amounts under HKFRS 16 at 1 January 2019** ***HK$'000***
Non-current assets				
Right-of-use assets		–	76,575	**76,575**
Rental deposit	(a)	19,800	(2,052)	**17,748**

	Notes	Carrying amounts previously reported at 31 December 2018 *HK$'000*	Adjustments *HK$'000*	**Carrying amounts under HKFRS 16 at 1 January 2019** ***HK$'000***
Current liabilities				
Trade and other payables	(b)	(93,336)	6,294	**(87,042)**
Lease liabilities		–	(36,323)	**(36,323)**
Non-current liabilities				
Lease liabilities		–	(38,419)	**(38,419)**
Capital and reserves				
Reserves	(a), (b)	(2,016,436)	(5,431)	**(2,021,867)**
Non-controlling interests	(a), (b)	(190,603)	(644)	**(191,247)**

Notes:

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$1,833,000, HK$196,000, HK$23,000 and HK$2,052,000 were adjusted to right-of-use assets, accumulated losses, non-controlling interests and refundable rental deposits paid, respectively.

(b) Rent-free period
These relate to accruals in respect of lease of properties in which the Group was provided with rent-free period. The carrying amount of the lease accruals as at 1 January 2019 was adjusted to accumulated losses (HK$5,627,000) and non-controlling interests (HK$667,000) at transition.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Further details of the new principal accounting policies are set out in the Company's 2019 Interim Report which will be published on the Company's website in September 2019.

3. SEGMENT INFORMATION

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 revenue and results

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

Six months ended 30 June 2019 (unaudited)

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
REVENUE	**118,600**	**–**	**118,600**
RESULTS			
Segment profit (loss) excluding depreciation of property, plant and equipment and fair value loss on investments held for trading	**7,063**	**(6)**	**7,057**
Depreciation of property, plant and equipment	**(20,172)**	**–**	**(20,172)**
Fair value loss on investments held for trading	**–**	**(1,193)**	**(1,193)**
Segment loss	**(13,109)**	**(1,199)**	**(14,308)**
Directors' emoluments			**(2,063)**
Interest income on bank deposits			**2,175**
Fair value loss on investment properties			**(16,088)**
Central administrative costs and other unallocated corporate expenses			**(8,725)**
Loss before tax			**(39,009)**

Six months ended 30 June 2018 (unaudited)

	Hotel operations *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
REVENUE	127,568	–	127,568
RESULTS			
Segment profit (loss) excluding depreciation of property, plant and equipment and fair value loss on investments held for trading	3,522	(549)	2,973
Depreciation of property, plant and equipment	(19,781)	–	(19,781)
Fair value loss on investments held for trading	–	(7,179)	(7,179)
Segment loss	(16,259)	(7,728)	(23,987)
Directors' emoluments			(1,909)
Interest income on bank deposits			1,909
Fair value loss on investment properties			(12,253)
Central administrative costs and other unallocated corporate expenses			(7,319)
Loss before tax			(43,559)

Segment loss represents the loss from each segment without allocation of directors' emoluments, interest income on bank deposits, fair value loss on investment properties and central administrative costs and other unallocated corporate expenses. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income on bank deposits	**2,175**	1,909
Imputed interest income on rental deposit	**492**	–
Loss on deregistration of a subsidiary	**(2,094)**	–
Fair value loss on investments held for trading	**(1,193)**	(7,179)
Sundry income	**952**	456
Net exchange gain (loss)	**180**	(274)
Loss on disposal of property, plant and equipment	**–**	(2)
	512	(5,090)

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on lease liabilities	**1,922**	–
Others	**147**	207
	2,069	207

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
People's Republic of China ("PRC") Enterprise Income Tax	**(3,688)**	(3,987)
Deferred tax	**2,132**	2,254
Income tax expense	**(1,556)**	(1,733)

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 condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 periods.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**20,310**	19,919
Depreciation of right-of-use assets	**19,359**	–
Electricity, water and utilities	**6,608**	7,573
Lease payments for short-term leases	**897**	–
Loss on disposal of property, plant and equipment	**–**	2

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(38,576)**	(42,632)
	Number of shares	*Number of shares*
Weighted 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 periods 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.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group paid approximately HK$247,000 for acquisition of furniture and fixtures (six months ended 30 June 2018: approximately HK$346,000 for acquisition of furniture and fixtures and office equipment).

During the current interim period, the Group entered into new or renewal of lease agreements for its office premises and warehouse for 3 years and 2 years respectively. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised HK$4,655,000 of right-of-use assets and HK$4,655,000 of lease liabilities.

Rosedale Hotel Guangzhou Co., Ltd. ("Rosedale Guangzhou")

Included in the hotel properties in the PRC is a hotel property with carrying value of HK$121,393,000, net of accumulated impairment loss of HK$6,322,000 (31 December 2018: carrying value of HK$127,405,000, net of accumulated impairment loss of HK$6,322,000) situated in Guangzhou, in which the Group holds land use rights and property right of the hotel property for a term expiring in January 2037, under the name of Rosedale Guangzhou.

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 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.

Subsequent to the end of the current interim period, on 18 July 2019, the business licence of Rosedale Guangzhou which expired on 15 January 2017 was renewed and the operating period of Rosedale Guangzhou was extended to 15 January 2027.

11. MOVEMENTS IN INVESTMENT PROPERTIES

The Group's investment properties as at the end of the current interim period were valued by Norton Appraisals Limited, an independent qualified professional valuer not connected to the Group and a member of the Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and location of the subject properties. The resulting decrease in fair value of investment properties of HK$16,088,000 has been recognised directly in profit or loss for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$12,253,000).

12. TRADE AND OTHER RECEIVABLES

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 the invoice date, which approximated the revenue recognition date.

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**5,685**	6,359
31 – 60 days	**447**	492
61 – 90 days	**90**	356
Over 90 days	**998**	905
	7,220	8,112

13. INVESTMENTS HELD FOR TRADING

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Listed investments		
– Equity securities listed in Hong Kong	**5,875**	7,068

14. 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 (the "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 separately presented in the condensed consolidated statement of financial position.

The net proceeds are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

Major classes of assets and liabilities of Luoyang Golden Gulf as at the end of the current interim period are as follows:

	HK$'000
Property, plant and equipment	**47,143**
Inventories	**675**
Trade and other receivables	**2,817**
Bank balances and cash	**660**
Total assets classified as held for sale	**51,295**
Trade and other payables	**36,334**
Tax liabilities	**192**
Deferred tax liabilities	**733**
Total liabilities classified as held for sale	**37,259**

As at the date of approval of these condensed consolidated financial statements, the disposal has not been completed as the main condition precedent requiring the passing of a special resolution by the shareholders of the Company approving the Disposal Agreement and the transactions contemplated thereunder is not yet fulfilled.

15. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**2,502**	2,913
31 – 60 days	**730**	565
61 – 90 days	**494**	499
Over 90 days	**456**	804
	4,182	4,781

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the six months ended 30 June 2019 under review, the global economic growth has lost some steam, and was continued to decelerate throughout a number of downside risks. The tourism and businesses in hotel market were clouded with the dampening consumer sentiment under the increase of geopolitical risks and the People's Republic of China (the "PRC")-the United States (the "US") trade tensions uncertainties, as well as unfortunate terrorist events affecting tourism and hotel businesses in global markets. The market confidence was generally negatively impacted by the uncertainties arising from social atmosphere and global political economy, which were characterised by great complexity and vicissitude. As concerns with the pressure the economy is under with the US trade war ongoing, stocks markets have already taken hits since 2018.

Despite signs of global slowdown, with a challenging operating environment as the pressures posed by the US trade negotiation, the continued economic transition in the PRC are set to linger. The PRC's economic expansion averaged 6.3% in the first half of 2019, reflecting a decrease of about 0.3% as compared to 2018, the lowest figure since records began in 1992, as the shock from the protracted trade war with the US. Even during the global financial crisis in 2009, the PRC's quarterly gross domestic product ("GDP") growth did not dip below 6.4%. In the meanwhile, Hong Kong's economic performance turned out to be worse than expected, its economy expanded modestly by 0.5% year-over-year in real terms in the second quarter of 2019, after the growth of 0.6% in the preceding quarter, the smallest increase in Hong Kong's GDP growth since 2009. In the view of the first half of 2019, total visitors' arrivals to Hong Kong amounted to approximately 34.9 million, representing an increase of 13.9%, after growing by 11.4% in 2018, which accounting for 79.1% of the total were visitors from Mainland China. The average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the six months ended 30 June 2019 was 90.0%, representing a decrease of 1.0% as compared to year-over-year in 2018.

FINANCIAL REVIEW

In a challenging business environment with the weakening market during the period under review, revenue of the Group attained HK$118.6 million for the six months ended 30 June 2019, representing an decrease of 7.1% as compared to HK$127.6 million for the six months ended 30 June 2018. The results of the Group for the six months ended 30 June 2019 was a loss of HK$40.6 million (Six months ended 30 June 2018: loss of HK$45.3 million) which was mainly attributable to gross profit of HK$36.4 million (Six months ended 30 June 2018: gross profit of HK$49.8 million); administrative expenses of HK$57.3 million (Six months ended 30 June 2018: HK$75.2 million); distribution and selling expenses of HK$0.5 million (Six months ended 30 June 2018: HK$0.7 million); finance costs of HK$2.1 million (Six months ended 30 June 2018: HK$0.2 million); fair value loss on investment properties of HK$16.1 million (Six months ended 30 June 2018: HK$12.3 million); and income tax expense of HK$1.5 million (Six months ended 30 June 2018: HK$1.7 million), partially offset by other income of HK$0.5 million (Six months ended 30 June 2018: other losses of HK$5.1 million).

The performance of the Group's hotel operations and securities trading during the period under review, 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 operations comprises the operations of three "Rosedale" branded 4-star rated hotels located in each of Hong Kong, Guangzhou and Shenyang and the Luoyang Golden Gulf Hotel. Overall revenue generated from hotel investment decreased by 7.0% to HK$118.6 million for the six months ended 30 June 2019 (Six months ended 30 June 2018: HK$127.6 million). The combined average occupancy rate of the Group slightly decreased by 5.9% to 66.3% for the six months ended 30 June 2019 (Six months ended 30 June 2018: 72.2%). 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 30.7% or decreased by 8.4% when compared with the corresponding period in 2018 of 39.1%. 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$1.2 million for the six months ended 30 June 2019 (Six months ended 30 June 2018: segment loss of HK$7.7 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.

MATERIAL ACQUISITIONS AND DISPOSALS

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 signed 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 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. On 22 May 2019, the Purchaser and the Subsidiary entered into a supplemental agreement to extend the long stop date to 10 months from the date of the Disposal Agreement, with all terms and conditions remain unchanged. 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, 8 March 2019, 4 April 2019, 26 April 2019, 24 May 2019, 21 June 2019, 19 July 2019 and 23 August 2019. The Disposal Agreement has not yet been completed as at the date of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group's cash and bank balances and investments held for trading amounted to HK$1,862.0 million (31 December 2018: HK$1,866.8 million). The Group has no borrowings as at each of 30 June 2019 and 31 December 2018.

The Group's current assets and current liabilities as at 30 June 2019 were HK$1,940.7 million and HK$179.2 million (31 December 2018: HK$1,945.0 million and HK$143.0 million), respectively. As a result, the current ratio of the Group as at 30 June 2019 was 10.8 (31 December 2018: 13.6). The gearing ratio as at 30 June 2019, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was nil (31 December 2018: nil).

PLEDGE OF ASSETS

The Group did not have any assets pledged for credit facilities as at each of 30 June 2019 and 31 December 2018.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at each of 30 June 2019 and 31 December 2018.

FOREIGN CURRENCY EXPOSURE

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollar and Renminbi. During the six months ended 30 June 2019, the Group has not entered into any hedging arrangements. However, the Group will actively consider the use of relevant financial instruments to manage currency exchange risks in line with our business development.

INTEREST RATE EXPOSURE

During the six months ended 30 June 2019, the Group was not subject to the risk of significant interest rate volatility. The Company will continue to monitor the interest rate markets and actively consider the application of relevant financial instruments to manage risks associated with interest rates.

EMPLOYEE AND REMUNERATION POLICY

At 30 June 2019, the Group had 609 employees of which 487 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 global economy continues to face uncertainties while the economic outlook and operating environment of Hong Kong and the PRC are anticipated to be notable challenging in the remaining months of 2019. Since the beginning of the second half of the year, uncertainties arising from the volatile local economy affect by ongoing demonstrations on Hong Kong anti-extradition bill protects, are likely to somewhat hinder the markets. The US-PRC trade and political tensions, coupled with the US's unilateral trade policies and retaliatory tariffs, growth outlook remains subdued amid.

On the other hand, the Group has, on 3 July 2019, entered into an agreement with the PRC partner of Rosedale Guangzhou to extend its operating period for 10 years commencing from 16 January 2017. Coupled with the central government of the PRC (the "Central Government") unveiling the development plan for the Guangdong-Hong Kong-Macao Greater Bay Area during 2019, the Directors see that the main operations of the Group continue to stay within the core engine of the development in the region with the full support of the Central Government, 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 will continue to safeguard our financial strength and manage risks cautiously. 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 will continue to pursue sustainable growth opportunities outside of Hong Kong, continuing to chart a course which maximizing the quality and value of our portfolio and creating win-win scenarios for all stakeholders.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019, including the accounting principles and practices adopted by the Group.

Further, the auditor of the Company, Moore Stephens CPA Limited, has carried out a review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company had complied with the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2019, except for the following deviation:

Code Provision A.4.1

Code provision A.4.1 of the CG 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 general meetings in accordance with the Bye-Laws of the Company. Every Director is also subject to retirement by rotation at least once every three years according to code provision A.4.2 of the CG 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.

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

Hong Kong, 29 August 2019

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

Executive Directors:
Dr. Yap, Allan *(Chairman)*
Mr. Lai Tsz Wah *(Managing Director)*
Mr. Dong Bo, Frederic

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