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## SHUN HO HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 253)

### 2018 INTERIM RESULTS

#### RESULTS

The board of directors (the “Board”) of Shun Ho Holdings Limited (the “Company”) announces that the **net profit after tax attributable to owners of the Company** before depreciation of land, property and equipment for the six months ended 30th June, 2018 was HK\$164 million (six months ended 30th June, 2017: HK\$135 million), increased by 21%. The unaudited consolidated results of the Group for the period, together with comparative figures for the previous period, are as follows:

#### Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June, 2018

		<b>Six months ended</b>	
	NOTES	<b>30.6.2018</b>	30.6.2017
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Revenue	3	<b>361,840</b>	291,638
Cost of sales		<b>(2,353)</b>	(2,261)
Other service costs		<b>(156,489)</b>	(126,375)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<b><u>(49,434)</u></b>	<u>(39,177)</u>
Gross profit		<b>153,564</b>	123,825
Increase in fair value of investment properties		<b>202,635</b>	186,120
Other income and expenses and gains and losses		<b>5,948</b>	(18,974)
Administrative expenses		<b>(24,093)</b>	(24,033)
- Depreciation		<b>(3,945)</b>	(4,014)
- Others		<b>(20,148)</b>	(20,019)
Finance costs	5	<b><u>(16,920)</u></b>	<u>(6,886)</u>
Profit before taxation		<b>321,134</b>	260,052
Income tax expense	6	<b><u>(24,509)</u></b>	<u>(18,135)</u>
Profit for the period	7	<b><u><u>296,625</u></u></b>	<u><u>241,917</u></u>

**Condensed Consolidated Statement of Profit or Loss (Continued)**  
For the six months ended 30th June, 2018

	NOTE	Six months ended	
		30.6.2018 <i>HK\$'000</i> (unaudited)	30.6.2017 <i>HK\$'000</i> (unaudited)
Profit for the period attributable to:			
Owners of the Company		<b>142,433</b>	119,332
Non-controlling interests		<b><u>154,192</u></b>	<u>122,585</u>
		<b><u>296,625</u></b>	<u>241,917</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		<b><u>58.91</u></b>	<u>49.36</u>
Diluted		<b><u>N/A</u></b>	<u>N/A</u>

**Condensed Consolidated Statement of Total Comprehensive Income**  
For the six months ended 30th June, 2018

	<b>Six months ended</b>	
	<b>30.6.2018</b>	30.6.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Profit for the period	<u><b>296,625</b></u>	<u>241,917</u>
<b>Other comprehensive (expense) income</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	<u><b>(312)</b></u>	<u>-</u>
<b>Items that may be subsequently reclassified to profit or loss</b>		
Exchange differences arising on translation of foreign operations	<b>(11,253)</b>	50,314
Fair value gain on available-for-sale investments	<u>-</u>	<u>265</u>
	<u><b>(11,253)</b></u>	<u>50,579</u>
Other comprehensive (expense) income for the period	<u><b>(11,565)</b></u>	<u>50,579</u>
Total comprehensive income for the period	<u><b>285,060</b></u>	<u>292,496</u>
Total comprehensive income attributable to:		
Owners of the Company	<b>138,304</b>	137,404
Non-controlling interests	<u><b>146,756</b></u>	<u>155,092</u>
	<u><b>285,060</b></u>	<u>292,496</u>

**Condensed Consolidated Statement of Financial Position**  
At 30th June, 2018

	NOTES	As at 30.6.2018 <i>HK\$'000</i> (unaudited)	As at 31.12.2017 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		3,809,183	3,820,845
Prepaid lease payments for land		28,675	29,528
Investment properties		4,825,685	4,638,300
Properties under development		74,800	74,157
Available-for-sale investments		-	7,221
Equity instruments at fair value through other comprehensive income		<u>5,014</u>	<u>-</u>
		<u>8,743,357</u>	<u>8,570,051</u>
<b>Current assets</b>			
Inventories		1,190	1,240
Prepaid lease payments for land		850	862
Trade and other receivables	10	24,421	30,515
Other deposits and prepayments		13,421	10,703
Bank balances and cash		<u>960,070</u>	<u>901,914</u>
		<u>999,952</u>	<u>945,234</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	11	36,831	36,405
Rental and other deposits received		16,851	14,062
Contract liabilities		7,574	-
Amount due to ultimate holding company		51,985	28,728
Tax liabilities		30,402	11,580
Bank loans		<u>502,227</u>	<u>536,969</u>
		<u>645,870</u>	<u>627,744</u>
<b>Net current assets</b>		<u>354,082</u>	<u>317,490</u>
<b>Total assets less current liabilities</b>		<u>9,097,439</u>	<u>8,887,541</u>
<b>Capital and reserves</b>			
Share capital		172,252	172,252
Reserves		<u>3,550,783</u>	<u>3,372,105</u>
Equity attributable to owners of the Company		3,723,035	3,544,357
Non-controlling interests		<u>4,063,181</u>	<u>3,996,762</u>
<b>Total equity</b>		<u>7,786,216</u>	<u>7,541,119</u>
<b>Non-current liabilities</b>			
Bank loans		1,119,313	1,155,604
Rental deposits received		30,678	32,160
Deferred tax liabilities		<u>161,232</u>	<u>158,658</u>
		<u>1,311,223</u>	<u>1,346,422</u>
		<u>9,097,439</u>	<u>8,887,541</u>

Notes:

## 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 (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31st December, 2017 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2017 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments 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 30th June, 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2017.

### *Application of new and amendments to HKFRSs*

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 mandatory effective for the annual period beginning on or after 1st January, 2018 for the preparation of the Group’s condensed consolidation financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies.

### 3. REVENUE

Revenue represents the aggregate of income from operation of hotels, property rental and dividend income, and is analysed as follows:

	<b>Six months ended</b>	
	<b>30.6.2018</b>	30.6.2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Income from operation of hotels	<b>281,007</b>	213,450
Income from property rental	<b>80,660</b>	77,973
Dividend income	<b><u>173</u></b>	<u>215</u>
	<b><u>361,840</u></b>	<u>291,638</u>

### 4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker, Chairman of the Company, for the purpose of resources allocation and performance assessment are as follows:

1. Hospitality services - Best Western Plus Hotel Kowloon
2. Hospitality services - Best Western Plus Hotel Hong Kong
3. Hospitality services - Magnificent International Hotel, Shanghai
4. Hospitality services - Best Western Hotel Causeway Bay
5. Hospitality services - Best Western Hotel Harbour View
6. Hospitality services - Best Western Grand Hotel
7. Hospitality services - Grand City Hotel
8. Hospitality services - Grand View Hotel
9. Property investment - 633 King's Road
10. Property investment - Shun Ho Tower
11. Property investment - Shops
12. Property investment - Hotel
13. Securities investment

Information regarding the above segments is reported below.

#### 4. SEGMENT INFORMATION (Continued)

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

	Segment revenue Six months ended		Segment profit Six months ended	
	30.6.2018 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (unaudited)
Hospitality services	<b>281,007</b>	213,450	<b>72,894</b>	47,281
- Best Western Plus Hotel Kowloon	<b>31,652</b>	27,927	<b>2,842</b>	1,413
- Best Western Plus Hotel Hong Kong	<b>40,858</b>	36,298	<b>15,463</b>	12,827
- Magnificent International Hotel, Shanghai	<b>9,799</b>	10,321	<b>1,548</b>	2,314
- Best Western Hotel Causeway Bay	<b>32,803</b>	28,263	<b>8,301</b>	5,199
- Best Western Hotel Harbour View	<b>50,669</b>	42,618	<b>20,348</b>	13,834
- Best Western Grand Hotel	<b>53,184</b>	46,927	<b>12,813</b>	7,802
- Grand City Hotel	<b>25,030</b>	21,096	<b>7,479</b>	3,892
- Grand View Hotel	<b>37,012</b>	-	<b>4,100</b>	-
Property investment	<b>80,660</b>	77,973	<b>283,132</b>	262,449
- 633 King's Road	<b>50,802</b>	49,570	<b>210,700</b>	188,230
- Shun Ho Tower	<b>12,219</b>	11,546	<b>49,558</b>	52,442
- Shops	<b>1,260</b>	1,464	<b>1,260</b>	1,464
- Hotel	<b>16,379</b>	15,393	<b>21,614</b>	20,313
Securities investment	<b>173</b>	215	<b>173</b>	215
	<b><u>361,840</u></b>	<b><u>291,638</u></b>	<b><u>356,199</u></b>	<b><u>309,945</u></b>
Other income and expenses and gains and losses			<b>5,948</b>	(18,974)
Central administration costs and directors' emoluments			<b>(24,093)</b>	(24,033)
Finance costs			<b>(16,920)</b>	(6,886)
Profit before taxation			<b><u>321,134</u></b>	<b><u>260,052</u></b>

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2018</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2017 <i>HK\$'000</i> (unaudited)
Interests on:		
Bank loans	<b>15,654</b>	5,806
Amount due to ultimate holding company	<u><b>1,266</b></u>	<u>1,080</u>
	<u><b>16,920</b></u>	<u>6,886</u>

## 6. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30.6.2018</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2017 <i>HK\$'000</i> (unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	<b>18,946</b>	15,925
The People's Republic of China ("PRC")	<b>339</b>	526
The United Kingdom ("UK")	<u><b>2,713</b></u>	<u>1,145</u>
	<b>21,998</b>	17,596
Overprovision in prior years		
Hong Kong	<u><b>(63)</b></u>	<u>-</u>
	<b>21,935</b>	17,596
Deferred tax	<u><b>2,574</b></u>	<u>539</u>
	<u><b>24,509</b></u>	<u>18,135</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 2018 (six months ended 30th June, 2017: 16.5%).

Taxation arising in the PRC and the UK are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year prevailing in the relevant jurisdictions.



## 7. PROFIT FOR THE PERIOD

Six months ended	
30.6.2018	30.6.2017
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Profit for the period has been arrived at after charging  
(crediting):

Release of prepaid lease payments for land	425	411
Depreciation of property, plant and equipment	52,954	42,780
Interest on bank deposits (Note)	(5,000)	(1,441)
Loss on disposal of property, plant and equipment (Note)	79	254
Exchange loss (Note)	<u>-</u>	<u>21,094</u>

Note: The amount is included in other income and expenses and gains and losses.

## 8. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors have resolved not to declare an interim dividend for the six months ended 30th June, 2018 (six months ended 30th June, 2017: nil).

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$142,433,000 (six months ended 30th June, 2017: HK\$119,332,000) and on 241,766,000 shares (six months ended 30th June, 2017: 241,766,000 shares) in issue during the period. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

Diluted earnings per share for both periods are not presented as there are no potential ordinary shares exist during both periods.

## 10. TRADE AND OTHER RECEIVABLES

	As at	As at
	30.6.2018	31.12.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables	16,131	26,413
Other receivables	<u>8,290</u>	<u>4,102</u>
	<u>24,421</u>	<u>30,515</u>

## 10. TRADE AND OTHER RECEIVABLES (Continued)

Except for a credit period of 30 to 60 days granted to travel agencies and certain customers of the hotels, the Group does not allow any credit period to customers. The following is an aged analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period:

	As at 30.6.2018 HK\$'000 (unaudited)	As at 31.12.2017 HK\$'000 (audited)
Not yet due	15,381	25,489
Overdue:		
0 - 30 days	701	865
31 - 60 days	31	57
61 - 90 days	<u>18</u>	<u>2</u>
	<u>16,131</u>	<u>26,413</u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30.6.2018 HK\$'000 (unaudited)	As at 31.12.2017 HK\$'000 (audited)
Trade payables	4,484	4,163
Other payables and accruals (Note)	<u>32,347</u>	<u>32,242</u>
	<u>36,831</u>	<u>36,405</u>

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	As at 30.6.2018 HK\$'000 (unaudited)	As at 31.12.2017 HK\$'000 (audited)
0 - 30 days	4,431	3,776
31 - 60 days	42	378
61 - 90 days	<u>11</u>	<u>9</u>
	<u>4,484</u>	<u>4,163</u>

Note: Other payables and accruals include construction costs payable of HK\$2,502,000 (31st December, 2017 : HK\$2,502,000).

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2018 (six months ended 30th June, 2017: Nil).

The Company's revenue mainly derived from its investment in Shun Ho Property Investments Limited ("Shun Ho Property"). Because of the limited existing dividend income, the Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2018. The Company is seeking other local property investments in order to increase additional income.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the period under review, the Group through its major subsidiaries, Shun Ho Property and Magnificent Hotel Investments Limited ("Magnificent Hotel"), continued with the commercial properties investment and leasing, and hotels investments and hotel management.

The net profit after tax attributable to the owners of the Company before depreciation of land, property and equipment for the six months ended 30th June, 2018 was HK\$164 million (six months ended 30th June, 2017: HK\$135 million), increased by 21%.

## **PERFORMANCE**

### **Hotel Business**

The Group owns 63.18% of Shun Ho Property. Shun Ho Property and its subsidiaries hold 71.09% of Magnificent Hotel as its hotel investment subsidiary. Shun Ho Property and Magnificent Hotel presently owns nine hotels, including: (1) Best Western Plus Hotel Kowloon, (2) Best Western Plus Hotel Hong Kong, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View, (6) Grand City Hotel, (7) Grand View Hotel, (8) Magnificent International Hotel, Shanghai and (9) Royal Scot Hotel in London with 2,821 guest rooms which is one of the largest hotel groups in Hong Kong.

The net profit after tax attributable to the owners of Magnificent Hotel before exchange adjustment, revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2018 was HK\$95 million (six months ended 30th June, 2017: HK\$78 million), increased by 22%. The hotel revenue of Magnificent Hotel increased by 14% with profit from hotel operations increased by 45%.

The Best Western Plus Hotel Kowloon has completed its renovation and the adding of 40 hotel rooms is awaiting license to be issued.

The income from hotel operations of the Group amounted to HK\$281.0 million (six months ended 30th June, 2017: HK\$213.5 million), increased by 32%.

### **Commercial Properties Rental Income**

The commercial properties rental income was derived from hotel property in UK, office buildings of Shun Ho Tower, 633 King's Road and shops from Best Western Plus Hotel Kowloon, Best Western Plus Hotel Hong Kong and Best Western Grand Hotel amounted to HK\$81 million (six months ended 30th June, 2017: HK\$78 million).

The commercial properties rental income was analysed as follows:

	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	Change
Royal Scot Hotel	15,393	<b>16,379</b>	+6%
633 King's Road	49,570	<b>50,802</b>	+2%
Shun Ho Tower	11,546	<b>12,219</b>	(Note) +6%
Shops	<u>1,464</u>	<u><b>1,260</b></u>	-14%
<b>Total</b>	<u><b>77,973</b></u>	<u><b>80,660</b></u>	+3%

*Note* : Non-controlling interest will be deducted in condensed consolidated statement of profit or loss.

- During the period, the commercial building at 633 King's Road and Shun Ho Tower were almost fully occupied. The increase of office building rental was due to the renewal of leases during the period. The decrease in shop rental was due to the expiry of the tenancy of first floor of Best Western Plus Hotel Kowloon.
- During the period, the administrative expenses excluding depreciation was HK\$20.1 million (six months ended 30th June, 2017: HK\$20.0 million), representing cost for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

## LIQUIDITY

- As at 30th June, 2018, the overall debt of the Group including Shun Ho Property and Magnificent Hotel and their subsidiaries was HK\$1,674 million (31st December, 2017: HK\$1,721 million). The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) in terms of overall debt against funds employed was 22% (31st December, 2017: 23%).

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group exposes to exchange risk and management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

As at 30th June, 2018, the Group's staffing level did not have material change compared with that as at 31st December, 2017.

## LOOKING AHEAD

- Magnificent Hotel will continue its business of hotel operations and will seek to acquire more hotel incomes by acquisition of hotel properties or serviced apartment hotels. During the period, the management considered that the hotel revenue of Magnificent Hotel increased by 14% and the profit for the hotel operations of Magnificent Hotel increased by 45% was impressive. Future improvement of hotel performances will be difficult because of large increase supply of hotel rooms in Hong Kong, competing room rate and occupancy, skilful labour shortage, most importantly, the large drop of Renminbi exchange rate will make Hong Kong a lesser desirable destination for the PRC visitors which account over 70% of the market.
- Shun Ho Property will continue its management and investment of 633 King's Road and Shun Ho Towers, Ice House Street and the income from the investment of Grand View Hotel.
- Overall the short term prospect of the Group's earning will benefit from the modest improvement of hotel industry and commercial rent. The management will endeavor to seek revenue growth from acquisition of income producing properties.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the period and up to the date of this announcement as required under the Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

## CORPORATE GOVERNANCE

### (a) Compliance with the Corporate Governance Code

During the period ended 30th June, 2018, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

*Code Provision A.2.1: chairman and chief executive should not be performed by the same individual*

The Company does not have separate appointments for Chairman and Chief Executive Officer. Mr. William Cheng Kai Man holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It also facilitates the planning and execution of the Company's strategy and is hence, for the interests of the Company and its shareholders.

*Code Provision A.4.1: non-executive directors should be appointed for a specific term*

Except three non-executive directors, all directors of the Company (including executive or non-executive directors) are not appointed for a fixed term. The Articles of Association of the Company stipulate that every director (including executive or non-executive directors) shall retire and be re-elected at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the Corporate Governance Code.

*Code Provision A.5.2: the nomination committee should perform the duties set out in paragraphs (a) to (d)*

The terms of reference of the nomination committee adopted by the Company are in compliance with the code provision A.5.2 except that it is not the duty of the nomination committee to select individuals nominated for directorships. The nomination committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duty should be performed by the board.

*Code Provision B.1.2: the remuneration committee's terms of reference should include, as a minimum, paragraphs (a) to (h)*

The terms of reference of the remuneration committee adopted by the Company are in compliance with the code provision B.1.2 except that it is not the duties of the remuneration committee to approve the management's remuneration proposals, compensation payable to executive directors and senior management for any loss or termination of office or appointment and compensation arrangements relating to dismissal or removal of directors for misconduct. The remuneration committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duties should be performed by the board.

#### **(b) Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the period.

#### **REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2018.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 17th August, 2018

*As at the date hereof, the Board comprises eight Directors, of which four are Executive Directors, namely Mr. William Cheng Kai Man, Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May and Madam Jennie Wong Kwai Fong; one is Non-executive Director, Madam Mabel Lui Fung Mei Yee; and three are Independent Non-executive Directors, namely Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Lam Kwai Cheung.*