SHUN HO PROPERTY INVESTMENTS LIMITED
順 豪 物 業 投 資 有 限 公 司

(Stock Code: 219)

Interim Report 2018

CORPORATE INFORMATION

Executive Directors
Mr. William Cheng Kai Man *(Chairman)*
Mr. Albert Hui Wing Ho
Madam Kimmy Lau Kam May
Madam Jennie Wong Kwai Fong
(appointed on 22nd January, 2018)

Non-Executive Director
Madam Mabel Lui Fung Mei Yee

Independent Non-Executive Directors
Mr. Vincent Kwok Chi Sun
Mr. Chan Kim Fai
Mr. Lam Kwai Cheung

Company Secretary
Madam Koo Ching Fan

Auditor
Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Solicitors
Withers
20th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited
Bank of China (Hong Kong) Limited

Registered Office
3rd Floor, Shun Ho Tower
24-30 Ice House Street
Central, Hong Kong

Share Registrars
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: 2980 1333

Company's Website
www.shunho.com.hk

INTERIM RESULTS

The board of directors (the "Board") of Shun Ho Property Investments 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$321 million (six months ended 30th June, 2017: HK$266 million), increased by 21%.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK1.95 cents per share for the six months ended 30th June, 2018 (six months ended 30th June, 2017: HK1.86 cents per share) and will be payable on Thursday, 27th June, 2019 to shareholders whose names appear on the register of members of the Company on Friday, 14th June, 2019.

BOOK CLOSURE

The register of members will be closed from Wednesday, 12th June, 2019 to Friday, 14th June, 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 11th June, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued with its commercial properties investment and leasing, and through its major subsidiaries continued with the hotel 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$321 million (six months ended 30th June, 2017: HK$266 million), increased by 21%.

PERFORMANCE

Hotel Business

The Group owns 71.09% of Magnificent Hotel Investments Limited ("Magnificent Hotel") as its hotel investment subsidiary. The Group 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 performance of Grand View Hotel for the period was impressive with 99.9% occupancy and is expected to continue for the remaining year. Application for office re-development of Grand View Hotel has recently been approved. Following the approval of office re-development of Grand View Hotel, the property was valued by Knight Frank Petty Limited to be HK$2,011 million.

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 the 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$81.0 million (six months ended 30th June, 2017: HK$78.0 million).

The properties rental income was analysed as follows:

	2017 *HK$'000*	**2018** ***HK$'000***		Change
Royal Scot Hotel	15,393	**16,379**		+6%
633 King's Road	49,570	**50,802**		+2%
Shun Ho Tower	11,546	**12,219**	*(Note)*	+6%
Shops	1,464	**1,260**		-14%
Total	77,973	**80,660**		+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$19.5 million (six months ended 30th June, 2017: HK$18.9 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 debts of the Group including Magnificent Hotel and its subsidiaries were HK$1,622 million (31st December, 2017: HK$1,700 million). The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) in terms of overall debts against funds employed were 20% (31st December, 2017: 22%).

  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 when compared with that of 31st December, 2017. Remuneration and benefit were set with reference to the market.

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.

- The Company will continue its management and investment of 633 King's Road, 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 report 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.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2018, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

The Company

Name of director	**Capacity**	**Nature of interests**	**Number of shares/ underlying shares held**	**Approximate % of shareholding**
William Cheng Kai Man	Interest of controlled corporations	Corporate	366,293,999 *(Note)*	63.18
Jennie Wong Kwai Fong	Beneficial owner	Personal	6,000	0.00

Note: Omnico Company Inc., Mercury Fast Limited and Trillion Resources Limited beneficially owned 281,904,489 shares of the Company (the "Shares") (48.62%), 68,139,510 Shares (11.75%) and 16,250,000 Shares (2.80%) respectively. Mr. William Cheng Kai Man had controlling interests in the above-mentioned companies. All the above interests in the Shares are long position.

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of Shares/ underlying Shares held	Approximate % of shareholding
William Cheng Kai Man	Magnificent Hotel Investments Limited ("Magnificent Hotel") *(Note 1)*	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Shun Ho Holdings Limited ("Shun Ho Holdings") *(Note 2)*	Interest of controlled corporations	Corporate	216,608,825	71.20
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") *(Note 3)*	Beneficial owner	Personal	1	100
Jennie Wong Kwai Fong	Magnificent Hotel	Beneficial owner	Personal	6,425	0.00
Jennie Wong Kwai Fong	Shun Ho Holdings	Beneficial owner	Personal	8,100	0.00

Notes:

1. Magnificent Hotel, the Company's subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

2. Shun Ho Holdings, the Company's holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

3. Trillion Resources, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

4. All the above interests in the share of the associated corporations are long position.

An employees share option scheme of Magnificent Hotel, a subsidiary of the Company, was adopted at the extraordinary general meeting held on 14th November, 2013 and was amended at the annual general meeting held on 18th June, 2014 (the "Employees Share Option Scheme"). Since the adoption of the Employees Share Option Scheme and up to the date of this report, no share option had been granted under the Employees Share Option Scheme.

Save as disclosed above, as at 30th June, 2018, none of the directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2018, the following persons (not being directors or chief executive of the Company) had interests in the Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	**Capacity**	**Number of Shares/underlying Shares held**	**Approximate % of shareholding**
Mercury Fast Limited ("Mercury")	Beneficial owner	68,139,510	11.75
Magnificent Hotel *(Note 1)*	Interest of controlled corporation	68,139,510	11.75
Omnico Company Inc. ("Omnico") *(Note 2)*	Beneficial owner and interest of controlled corporation	350,043,999	60.38
Shun Ho Holdings *(Note 3)*	Interest of controlled corporations	366,293,999	63.18
Trillion Resources *(Note 3)*	Interest of controlled corporations	366,293,999	63.18
Liza Lee Pui Ling *(Note 4)*	Interest of spouse	366,293,999	63.18
Credit Suisse Trust Limited *(Note 5)*	Person acting in concert	58,225,591	10.04

Name of shareholder	Capacity	Number of Shares/underlying Shares held	Approximate % of shareholding
Hashim Hashim Abdullah *(Note 5)*	Interest of controlled corporations	58,225,591	10.04
North Salomon Limited *(Note 5)*	Person acting in concert	58,225,591	10.04
Saray Capital Limited *(Note 5)*	Interest of controlled corporations	58,225,591	10.04
Saray Developed Markets Value Fund *(Note 5)*	Beneficial owner and person acting in concert	58,225,591	10.04
Saray Equities Investment Management *(Note 5)*	Investment manager	58,225,591	10.04
Saray Value SPV Asia I *(Note 5)*	Beneficial owner and person acting in concert	58,225,591	10.04
Shobokshi Hussam *(Note 5)*	Person acting in concert	58,225,591	10.04

Notes:

1. Mercury was a wholly-owned subsidiary of Magnificent Hotel.

2. Omnico beneficially owned 281,904,489 Shares and was taken to be interested in 68,139,510 Shares held by Mercury which was owned as to 100% by Magnificent Hotel, which was in turn owned as to 71.09% by the Group, the Company was in turn directly and indirectly owned as to 60.38% by Omnico.

3. Omnico was wholly-owned by Shun Ho Holdings, which was in turn directly and indirectly owned as to 71.20% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Shun Ho Holdings and Trillion Resources were taken to be interested in 366,293,999 Shares, representing 63.18% by virtue of their direct or indirect interests in Omnico and Shun Ho Holdings' another subsidiary which beneficially owned 16,250,000 Shares, representing 2.80%.

4. Madam Liza Lee Pui Ling was deemed to be interested in 366,293,999 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

5. Saray Developed Markets Value Fund beneficially held 30,591,785 Shares. Saray Value SPV Asia I beneficially held 27,633,806 Shares. Both Saray Value SPV Asia I and Saray Developed Markets Value Fund were wholly-owned subsidiaries of Saray Equities Investment Management. Therefore, Saray Developed Markets Value Fund had interest in person acting in concert of 27,633,806 Shares and Saray Value SPV Asia I had interest in person acting in concert of 30,591,785 Shares. Saray Equities Investment Management was held by Saray Capital Limited as to 100%. Saray Capital Limited was held by Hashim Hashim Abdullah as to 45%. Therefore, total number of Shares in which Saray Developed Markets Value Fund, Saray Value SPV Asia I, Saray Equities Investment Management, Saray Capital Limited and Hashim Hashim Abdullah were interested under section 317 and 318 of SFO was 58,225,591 Shares.

   Shobokshi Hussam, North Salomon Limited, Saray Value SPV Asia I and Saray Developed Markets Value Fund were parties to an agreement under section 317 of SFO. North Salomon Limited was held by Credit Suisse Trust Limited as to 100%. Therefore, total number of Shares in which Shobokshi Hussam, North Salomon Limited and Credit Suisse Trust Limited were interested under section 317 and 318 of SFO is 58,225,591 Shares.

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

INDEPENDENT REVIEW

The interim results for the six months ended 30th June, 2018 are unaudited, but have been reviewed 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, by Deloitte Touche Tohmatsu, whose independent review report is included on page 13 of this interim report. The interim results and the interim report 2018 have also been reviewed by the Group's Audit Committee.

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.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 17th August, 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
SHUN HO PROPERTY INVESTMENTS LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Shun Ho Property Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 46, which comprise the condensed consolidated statement of financial position as of 30th June, 2018 and the related condensed consolidated statement of profit or loss, statement of total comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17th August, 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	NOTES	Six months ended 30th June, 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	3	**361,840**	291,638
Cost of sales		**(2,353)**	(2,261)
Other service costs		**(156,489)**	(126,375)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		**(49,434)**	(39,177)
Gross profit		**153,564**	123,825
Increase in fair value of investment properties	11	**202,635**	186,120
Other income and expenses and gains and losses		**5,948**	(18,974)
Administrative expenses		**(23,453)**	(22,878)
– Depreciation		**(3,945)**	(4,014)
– Others		**(19,508)**	(18,864)
Finance costs	5	**(15,654)**	(6,109)
Profit before taxation		**323,040**	261,984
Income tax expense	6	**(24,509)**	(18,135)
Profit for the period	7	**298,531**	243,849
Profit for the period attributable to:			
Owners of the Company		**278,388**	234,889
Non-controlling interests		**20,143**	8,960
		298,531	243,849
		HK cents	*HK cents*
Earnings per share	9		
Basic		**54.41**	45.91
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	Six months ended 30th June, 2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**298,531**	243,849
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	**(3,441)**	–
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(11,253)**	50,314
Fair value gain on available-for-sale investments	**–**	13,411
	(11,253)	63,725
Other comprehensive (expense) income for the period	**(14,694)**	63,725
Total comprehensive income for the period	**283,837**	307,574
Total comprehensive income attributable to:		
Owners of the Company	**267,941**	280,190
Non-controlling interests	**15,896**	27,384
	283,837	307,574

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2018

	NOTES	**As at 30th June, 2018** *HK$'000* **(Unaudited)**	As at 31st December, 2017 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**3,809,183**	3,820,845
Prepaid lease payments for land		**28,675**	29,528
Investment properties	*11*	**4,825,685**	4,638,300
Properties under development	*12*	**74,800**	74,157
Available-for-sale investments	*13*	**–**	174,995
Equity instruments at fair value through other comprehensive income	*13*	**169,659**	–
		8,908,002	8,737,825
CURRENT ASSETS			
Inventories		**1,190**	1,240
Prepaid lease payments for land		**850**	862
Trade and other receivables	*14*	**23,571**	30,511
Other deposits and prepayments		**12,927**	10,549
Bank balances and cash		**931,038**	901,569
		969,576	944,731
CURRENT LIABILITIES			
Trade and other payables and accruals	*15*	**36,195**	35,865
Rental and other deposits received		**16,851**	14,062
Contract liabilities		**7,574**	–
Amount due to an intermediate holding company	*18a*	**–**	5,420
Amount due to ultimate holding company		**–**	2,502
Tax liabilities		**30,395**	11,573
Bank loans	*16*	**502,227**	536,969
		593,242	606,391
NET CURRENT ASSETS		**376,334**	338,340
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,284,336**	9,076,165

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30TH JUNE, 2018

	NOTES	**As at 30th June, 2018** *HK$'000* **(Unaudited)**	As at 31st December, 2017 *HK$'000* (Audited)
CAPITAL AND RESERVES			
Share capital	*17*	**1,084,887**	1,084,887
Reserves		**5,772,619**	5,528,928
Equity attributable to owners of the Company		**6,857,506**	6,613,815
Non-controlling interests		**1,115,607**	1,115,928
TOTAL EQUITY		**7,973,113**	7,729,743
NON-CURRENT LIABILITIES			
Bank loans	*16*	**1,119,313**	1,155,604
Rental deposits received		**30,678**	32,160
Deferred tax liabilities		**161,232**	158,658
		1,311,223	1,346,422
		9,284,336	9,076,165

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	Attributable to owners of the Company											
	Share capital *HK$'000*	Capital reserve *HK$'000* *(Note a)*	Property revaluation reserve *HK$'000* *(Note b)*	Securities revaluation reserve *HK$'000*	General reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Own shares held by a subsidiary *HK$'000* *(Note c)*	Other reserve *HK$'000* *(Note d)*	Retained profits *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1st January, 2017 (audited)	1,084,887	4,181	50,186	81,821	263	(62,717)	(12,271)	498,660	4,150,075	5,795,085	1,055,175	6,850,260
Profit for the period	–	–	–	–	–	–	–	–	234,889	234,889	8,960	243,849
Exchange differences arising on translation of foreign operations	–	–	–	–	–	35,767	–	–	–	35,767	14,547	50,314
Fair value gain on available-for-sale investments	–	–	–	9,534	–	–	–	–	–	9,534	3,877	13,411
Total comprehensive income for the period	–	–	–	9,534	–	35,767	–	–	234,889	280,190	27,384	307,574
Final dividend payable for the year ended 31st December, 2016 *(note 8)*	–	–	–	–	–	–	–	–	(21,181)	(21,181)	–	(21,181)
Dividend payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(14,562)	(14,562)
At 30th June, 2017 (unaudited)	1,084,887	4,181	50,186	91,355	263	(26,950)	(12,271)	498,660	4,363,783	6,054,094	1,067,997	7,122,091
At 1st January, 2018 (audited)	1,084,887	4,181	50,186	84,367	263	(9,351)	(12,271)	498,660	4,912,893	6,613,815	1,115,928	7,729,743
Profit for the period	–	–	–	–	–	–	–	–	278,388	278,388	20,143	298,531
Fair value loss on investments in equity instruments	–	–	–	(2,447)	–	–	–	–	–	(2,447)	(994)	(3,441)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(8,000)	–	–	–	(8,000)	(3,253)	(11,253)
Total comprehensive (expense) income for the period	–	–	–	(2,447)	–	(8,000)	–	–	278,388	267,941	15,896	283,837
Final dividend paid for the year ended 31st December, 2017 *(note 8)*	–	–	–	–	–	–	–	–	(24,250)	(24,250)	–	(24,250)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(16,217)	(16,217)
At 30th June, 2018 (unaudited)	1,084,887	4,181	50,186	81,920	263	(17,351)	(12,271)	498,660	5,167,031	6,857,506	1,115,607	7,973,113

Notes:

(a) The capital reserve was created by capital reduction of the Company on 28th June, 1988.

(b) The property revaluation reserve is frozen upon the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.

(c) The own shares held by a subsidiary represents the carrying amount of shares in the Company held by an entity at the time the entity become a subsidiary of the Company.

(d) The other reserve was resulted from the acquisition of additional interest or disposal of partial interest in subsidiaries without losing control in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	NOTE	Six months ended 30th June, 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Net cash from operating activities		**208,479**	137,269
Net cash (used in) from investing activities			
Expenditure on properties under development		**(851)**	(8,862)
Acquisition of property, plant and equipment		**(3,703)**	(1,762)
Deposit paid for acquisition of a subsidiary		**–**	(100,000)
Payments for acquisition of subsidiaries	*21*	**(38,191)**	(19,905)
Proceeds from disposal of property, plant and equipment		**122**	90
Decrease in pledged bank deposits		**–**	446,587
		(42,623)	316,148
Net cash (used in) from financing activities			
Interest paid		**(15,712)**	(5,806)
New bank loans raised		**–**	447,025
Repayment of bank loans		**(65,034)**	(369,492)
Dividends paid to shareholders		**(51,975)**	–
Repayment to an intermediate holding company		**–**	(15,103)
Advance from an intermediate holding company		**–**	14,800
Repayment to ultimate holding company		**(2,502)**	–
		(135,223)	71,424
Net increase in cash and cash equivalents		**30,633**	524,841
Cash and cash equivalents at the beginning of the period		**901,569**	419,614
Effect of foreign exchange rate changes		**(1,164)**	1,827
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**931,038**	946,282

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

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 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 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 consolidated 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, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded Hong Kong Accounting Standards ("HKAS") 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- hotel operation
- property investment
- securities investment

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st January, 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1st January, 2018.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15

The application of the HKFRS 15 has no significant impact on the timing and amounts of revenue in the current interim period and retained profits at 1st January, 2018.

As at 1st January, 2018, advances from customers of HK$6,393,000 in respect of hospitality services contracts previously included in the "rental and other deposits received" should be classified to contract liabilities upon the application of HKFRS 15.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) expected credit losses ("ECL") for financial assets; and iii) 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) retrospectively to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31st December, 2017 and the carrying amounts as at 1st January, 2018 are recognised in the opening retained profits 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".

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

<u>Classification and measurement of financial assets</u> (Continued)

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the securities revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the securities revaluation reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1st January, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

<u>Impairment under ECL model</u> *(Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1st January, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

From available-for-sale investments to equity investments at FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, of which HK$1,895,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. At the date of initial application of HKFRS 9, HK$174,995,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. Any fair value gains/losses relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and the securities revaluation reserve as at 1st January, 2018. The fair value gains of HK$84,367,000 relating to those investments previously carried at fair value continued to accumulate in the securities revaluation reserve.

Impairment under ECL model

The application of the expected credit loss model of HKFRS 9 has no material impact on the accumulated amount of impairment loss to be recognised by Group as at 1st January, 2018 as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Income from operation of hotels *(Note)*	**281,007**	213,450
Income from property rental	**80,660**	77,973
Dividend income	**173**	215
	361,840	291,638

Note:

Disaggregation of revenue for hospitality services segment.

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Types of goods or services (time of revenue recognition):		
Room revenue and other ancillary services (recognised over time)	**270,205**	203,300
Food and beverage (recognised at a point in time)	**10,802**	10,150
	281,007	213,450

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Geographical markets:		
Hong Kong	**271,208**	203,129
The People's Republic of China ("PRC")	**9,799**	10,321
	281,007	213,450

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 30th June,		Segment profit Six months ended 30th June,	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Hospitality services	**281,007**	213,450	**72,894**	47,281
– Best Western Plus Hotel Kowloon	**31,652**	27,927	**2,842**	1,413
– Best Western Plus Hotel Hong Kong	**40,858**	36,298	**15,463**	12,827
– Magnificent International Hotel, Shanghai	**9,799**	10,321	**1,548**	2,314
– Best Western Hotel Causeway Bay	**32,803**	28,263	**8,301**	5,199
– Best Western Hotel Harbour View	**50,669**	42,618	**20,348**	13,834
– Best Western Grand Hotel	**53,184**	46,927	**12,813**	7,802
– Grand City Hotel	**25,030**	21,096	**7,479**	3,892
– Grand View Hotel	**37,012**	–	**4,100**	–
Property investment	**80,660**	77,973	**283,132**	262,449
– 633 King's Road	**50,802**	49,570	**210,700**	188,230
– Shun Ho Tower	**12,219**	11,546	**49,558**	52,442
– Shops	**1,260**	1,464	**1,260**	1,464
– Hotel	**16,379**	15,393	**21,614**	20,313
Securities investment	**173**	215	**173**	215
	361,840	291,638	**356,199**	309,945
Other income and expenses and gains and losses			**5,948**	(18,974)
Central administration costs and directors' emoluments			**(23,453)**	(22,878)
Finance costs			**(15,654)**	(6,109)
Profit before taxation			**323,040**	261,984

4. SEGMENT INFORMATION *(Continued)*

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, other income and expenses and gains and losses and finance costs. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods.

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	As at 30th June, 2018 *HK$'000* **(Unaudited)**	As at 31st December, 2017 *HK$'000* (Audited)
Segment assets		
Hospitality services	**3,755,063**	3,810,281
– Best Western Plus Hotel Kowloon	**395,654**	404,382
– Best Western Plus Hotel Hong Kong	**320,926**	323,903
– Magnificent International Hotel, Shanghai	**74,748**	77,172
– Best Western Hotel Causeway Bay	**331,859**	338,392
– Best Western Hotel Harbour View	**505,781**	509,464
– Best Western Grand Hotel	**733,242**	749,007
– Grand City Hotel	**396,839**	401,034
– Grand View Hotel	**996,014**	1,006,927
Property investment	**4,834,341**	4,646,359
– 633 King's Road	**2,967,023**	2,807,120
– Shun Ho Tower	**820,593**	782,795
– Shops	**211,000**	211,000
– Hotel	**835,725**	845,444
Securities investment	**169,659**	176,263
	8,759,063	8,632,903
Unallocated assets	**1,118,515**	1,049,653
Consolidated assets	**9,877,578**	9,682,556

4. SEGMENT INFORMATION *(Continued)*

	As at 30th June, 2018	As at 31st December, 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment liabilities		
Hospitality services	**34,804**	27,243
– Best Western Plus Hotel Kowloon	**7,397**	6,698
– Best Western Plus Hotel Hong Kong	**4,704**	3,618
– Magnificent International Hotel, Shanghai	**1,853**	1,296
– Best Western Hotel Causeway Bay	**3,856**	2,599
– Best Western Hotel Harbour View	**4,882**	3,732
– Best Western Grand Hotel	**5,286**	4,349
– Grand City Hotel	**2,644**	1,357
– Grand View Hotel	**4,182**	3,594
Property investment	**51,286**	41,697
– 633 King's Road	**32,221**	32,045
– Shun Ho Tower	**8,290**	8,050
– Shops	**1,547**	1,547
– Hotel	**9,228**	55
Securities investment	**2**	2
	86,092	68,942
Unallocated liabilities	**1,818,373**	1,883,871
Consolidated liabilities	**1,904,465**	1,952,813

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than the Group's head office corporate assets (including certain property, plant and equipment) and bank balances and cash; and

- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, amount due to an intermediate holding company, amount due to ultimate holding company, bank loans, tax payable and deferred tax liabilities.

5. FINANCE COSTS

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans	**15,654**	5,806
Amount due to an intermediate holding company *(note 18a)*	**–**	303
	15,654	6,109

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	**18,946**	15,925
PRC	**339**	526
The United Kingdom ("UK")	**2,713**	1,145
	21,998	17,596
Overprovision in prior years		
UK	**(63)**	–
	21,935	17,596
Deferred tax	**2,574**	539
	24,509	18,135

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%).

6. INCOME TAX EXPENSE *(Continued)*

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.

Deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary amounted to HK$102,000 (six months ended 30th June, 2017: HK$160,000) were charged to profit or loss for the six months ended 30th June, 2018.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(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)*	**–**	21,094

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

8. DIVIDEND

During the six months ended 30th June, 2018, a final dividend of HK4.74 cents per share amounting to HK$24,250,000 was declared and paid to shareholders for the year ended 31st December, 2017 (six months ended 30th June, 2017: a final dividend of HK4.14 cents per share amounting to HK$21,181,000 was paid to shareholders for the year ended 31st December, 2016).

The interim dividend in respect of the six months ended 30th June, 2018 of HK1.95 cents per share amounting to HK$9,976,000 has been declared by the Board (six months ended 30th June, 2017: HK1.86 cents per share amounting to HK$9,516,000).

The distribution has been excluded 68,140,000 shares held by a subsidiary of the Group.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK$278,388,000 (six months ended 30th June, 2017: HK$234,889,000) and on 511,613,000 shares (six months ended 30th June, 2017: 511,613,000 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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2018, the Group has acquired furniture, fixtures and equipment of HK$2,990,000 (six months ended 30th June, 2017: HK$970,000), motor vehicles of HK$713,000 (six months ended 30th June, 2017: HK$792,000) and leasehold land and buildings of HK$38,191,000 through acquisition of a subsidiary (six months ended 30th June, 2017: HK$19,905,000).

The Group has disposed of property, plant and equipment with carrying amount of HK$201,000 (six months ended 30th June, 2017: HK$344,000) during the period.

11. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30th June, 2018 have been arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield Limited and Knight Frank LLP (31st December, 2017: Cushman & Wakefield Limited and Allsop LLP), independent qualified professional valuers not connected with the Group. The valuation reports on these properties are signed by a director of Cushman & Wakefield Limited who is a member of The Hong Kong Institute of Surveyors and a partner of Knight Frank LLP who is a member of the Royal Institution of Chartered Surveyors, and were arrived at by adopting the income capitalisation method and by making reference to comparable sales transactions as available in the market to assess the market value of the investment properties.

The investment properties of the Group with an aggregate carrying amount of approximately HK$4,720 million (31st December, 2017: HK$4,532 million) were rented out under operating leases at the end of the reporting period. Outgoing expense for investment properties that are not generating income during the period are insignificant. The resulting gain on fair value changes of investment properties of HK$202,635,000 has been recognised directly in profit or loss for the six months ended 30th June, 2018 (six months ended 30th June, 2017: HK$186,120,000).

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The income capitalisation approach estimates the values of the properties on an open market basis by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. The term value involves the capitalisation of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised on a fully leased basis. In this approach, the valuers have considered the term yield and reversionary yield. The term yield is used for capitalisation of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

12. PROPERTIES UNDER DEVELOPMENT

During the six months ended 30th June, 2018, the Group has incurred HK$851,000 (six months ended 30th June, 2017: HK$8,575,000) on construction cost of hotel premises.

During the six months ended 30th June, 2018, the Group transferred HK$208,000 from properties under development to fixtures, furnitures and equipment under property, plant and equipment.

13. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	As at 30th June, 2018	As at 31st December, 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Listed equity securities in Hong Kong, at fair value	**–**	173,100
Unlisted equity investments, at cost	**–**	1,895
Equity instruments at fair value through other comprehensive income	**169,659**	–
	169,659	174,995

14. TRADE AND OTHER RECEIVABLES

	As at 30th June, 2018	As at 31st December, 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**16,131**	26,413
Other receivables	**7,440**	4,098
	23,571	30,511

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 30th June, 2018	As at 31st December, 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Not yet due	**15,381**	25,489
Overdue:		
0 – 30 days	**701**	865
31 – 60 days	**31**	57
61 – 90 days	**18**	2
	16,131	26,413

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30th June, 2018 *HK$'000* **(Unaudited)**	As at 31st December, 2017 *HK$'000* (Audited)
Trade payables	**4,484**	4,163
Other payables and accruals *(Note)*	**31,711**	31,702
	36,195	35,865

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 30th June, 2018 *HK$'000* **(Unaudited)**	As at 31st December, 2017 *HK$'000* (Audited)
0 – 30 days	**4,431**	3,776
31 – 60 days	**42**	378
61 – 90 days	**11**	9
	4,484	4,163

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

16. BANK LOANS

	As at 30th June, 2018 *HK$'000* **(Unaudited)**	As at 31st December, 2017 *HK$'000* (Audited)
Secured bank loans	**1,621,540**	1,692,573
Carrying amounts of bank loan that do not contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period	**61,151**	61,536
Not repayable within one year from the end of the reporting period	**1,119,313**	1,155,604
	1,180,464	1,217,140
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but:		
Repayable within one year from the end of the reporting period	**258,941**	262,370
Not repayable within one year from the end of the reporting period shown under current liabilities	**182,135**	213,063
	441,076	475,433
	1,621,540	1,692,573
Amounts shown under current liabilities	**502,227**	536,969
Amounts shown under non-current liabilities	**1,119,313**	1,155,604
	1,621,540	1,692,573

All the Group's bank loans are floating rate borrowings. The bank loans are secured over certain of the Group's assets as disclosed in note 20. Effective interest rate is 1.89% per annum (31st December, 2017: 1.79% per annum).

17. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares		
Issued and fully paid:		
At 1st January, 2017 (audited), 30th June, 2017 (unaudited), 31st December, 2017 (audited) and 30th June, 2018 (unaudited)	579,753	1,084,887

At 30th June, 2018, the Company's 68,140,000 (31st December, 2017: 68,140,000) issued shares were held by a subsidiary of the Group. In accordance with the Hong Kong Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

18. RELATED PARTY TRANSACTIONS

Other than those disclosed in the condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Shun Ho Holdings Limited (the Company's intermediate holding company) and its subsidiaries*		
Corporate management fee income for administrative facilities provided	**75**	50
Interest expenses *(note a)*	**–**	303
Dividend paid/payable	**14,106**	12,064
Compensation of key management personnel *(note b)*	**7,727**	6,719

* exclude the Company and its subsidiaries

18. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(a) The amount due to an intermediate holding company was unsecured, interest-free and repayable on 28th June, 2018, as at 31st December, 2017. The advance was fully repaid during the six months ended 30th June, 2018.

(b) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

19. PROJECT/CAPITAL COMMITMENTS

At 31st December, 2017, the Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of expenditure on properties under development amounted HK$400,000 (30th June, 2018: nil).

20. PLEDGE OF ASSETS/REVENUE

At the end of reporting period, the bank loan facilities of the Group were secured by the followings:

(a) investment properties and property, plant and equipment of the Group with carrying amounts as at 30th June, 2018 of approximately HK$4,006 million (31st December, 2017: HK$3,856 million) and HK$3,447 million (31st December, 2017: HK$3,478 million), respectively;

(b) pledge of shares in certain subsidiaries with an aggregate net asset value as at 30th June, 2018 of approximately HK$1,131 million (31st December, 2017: HK$1,159 million); and

(c) assignment of the Group's rentals and hotel revenue respectively.

21. ACQUISITION OF A SUBSIDIARY

On 20th March, 2018, a subsidiary of the Company, Babenna Limited, entered into an agreement for the acquisition of 100% equity interests in Sparkle Base Limited ("Sparkle Base") for a consideration of HK$38,191,000. The acquisition was completed during the six months ended 30th June, 2018. The principal activity of Sparkle Base is holding a property located in Hong Kong. Accordingly, the transaction is accounted for as the acquisition of assets. The contribution from Sparkle Base to the Group's profit for the period between the date of acquisition and the end for the reporting period is not significant.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	**Fair value as at** **30th June, 2018** ***HK$'000*** **(Unaudited)**	31st December, 2017 *HK$'000* (Audited)	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Listed equity securities at fair value through other comprehensive income	**169,659**	173,100	Level 1	Quoted bid prices in an active market

The directors of the Company consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.