MAGNIFICENT HOTEL INVESTMENTS LIMITED

華 大 酒 店 投 資 有 限 公 司

(Stock Code: 201)

INTERIM REPORT 2019

CORPORATE INFORMATION

Executive Directors
Mr. William Cheng Kai Man *(Chairman)*
Mr. Albert Hui Wing Ho
Madam Kimmy Lau Kam May
Madam Ng Yuet Ying
Madam Jennie Wong Kwai Fong

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
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 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: 2980 1333

Company's Website
www.magnificenthotelinv.com

INTERIM RESULTS

The board of directors (the "Board") of Magnificent Hotel Investments Limited (the "Company") announces that the net profit after tax attributable to owners of the Company before revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2019 was HK$99 million (six months ended 30th June, 2018: HK$95 million), increased by 4%.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.08 cent per share for the six months ended 30th June, 2019 (six months ended 30th June, 2018: HK0.08 cent per share) payable on Friday, 26th June, 2020 to shareholders whose names appear on the register of members of the Company on Friday, 12th June, 2020.

BOOK CLOSURE

The register of members will be closed from Wednesday, 10th June 2020 to Friday, 12th June, 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 9th June, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued with its hotel investments, hotel management and property leasing.

The net profit after tax attributable to owners of the Company before revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2019 was HK$99 million (six months ended 30th June, 2018: HK$95 million), increased by 4%. *(See Note a)*

	Six months ended 30.6.2018 HK$'000 (unaudited)	**30.6.2019 HK$'000 (unaudited)**	Change
Revaluation profit of investment properties	5,235	**–**	N/A
Profit from operation of hotels	66,718	**63,261**	-5%
Properties rental income	15,559	**14,566**	-6%
Income from securities investments	3,403	**3,557**	+5%
Other income and expenses and gain and losses	3,827	**8,804**	+130%
	94,742	**90,188**	-5%
Administrative expenses	(18,092)	**(18,698)**	+3%
Income tax expense	(15,183)	**(13,891)**	-9%
Profit after taxation	61,467	**57,599**	-6%
Less: Revaluation profit of investment properties	(5,235)	**–**	N/A
Add: Properties depreciation and release of prepaid lease payments for land	38,952	**41,786**	+7%
Net profit after tax before revaluation gain of investment properties and depreciation of land, property and equipment	95,184	**99,385**	+4% *(Note a)*

The overall net profit increased by HK$4 million due to increase in other income. Other income includes gain from the disposal of the apartment property at Tai Hang and others.

PERFORMANCE

- For the six months ended 30th June, 2019, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and hotel properties rental income, which was analysed as follows:

Income

	Six months ended 30.6.2018 *HK$'000* (unaudited)	**Six months ended 30.6.2019** ***HK$'000*** **(unaudited)**	Change	Reasoning
Income from operation of hotels	243,995	**248,370**	+2%	Increase in room rates
Properties rental income	17,639	**16,739**	-5%	Rental income from UK hotel property and pound sterling depreciated against Hong Kong dollars
Dividend income	3,403	**3,557**	+5%	Increase in dividend received from stock investment
Other income	3,827	**8,804**	+130%	Gain from the disposal of the apartment property at Tai Hang and others
Total	268,864	**277,470**	+3%	

The total income for the Group increased by 3% from HK$269 million to HK$277 million for the same period compared with last year.

The Group presently owns eight hotels, operates seven hotels and leases out one hotel in London. The income from operation of hotels increased by 2% to HK$248 million (six months ended 30th June, 2018: HK$244 million). Royal Scot Hotel in London was leased to a hotel management company, Travelodge.

	Best Western Plus Hotel Kowloon		**Best Western Plus Hotel Hong Kong**		**Best Western Hotel Causeway Bay**		**Ramada Hong Kong Harbour View**		**Best Western Grand Hotel**		**Grand City Hotel**		**Magnificent International Hotel, Shanghai**		**Change**
	Avg Room Occupancy %	Avg Room Rate *HK$*	Avg Room Occupancy %	Avg Room Rate *HK$*	Avg Room Occupancy %	Avg Room Rate *HK$*	Avg Room Occupancy %	Avg Room Rate *HK$*	Avg Room Occupancy %	Avg Room Rate *HK$*	Avg Room Occupancy %	Avg Room Rate *HK$*	Avg Room Occupancy %	Avg Room Rate *HK$*	
2019															
Jan	99	859	100	738	100	697	99	638	99	761	99	667	57	236	
Feb	99	934	100	781	100	760	100	720	99	837	99	725	60	286	
Mar	100	825	100	765	100	731	99	686	100	752	99	694	69	330	
Apr	100	805	100	803	100	714	100	696	99	727	99	686	85	333	
May	100	683	100	607	100	548	99	556	99	587	99	554	87	326	
Jun	99	636	100	583	100	501	100	515	99	562	99	480	77	316	
Total *(HK'000)*	**36,326**		**43,122**		**31,573**		**51,823**		**52,349**		**25,027**		**8,150**		
2018 Jan to Jun Total *(HK'000)*	31,652		40,858		32,803		50,669		53,184		25,030		9,527		
Change(%)	+15		+6		-4		+2		-2		–		-14		+2

During the period, Best Western Hotel Harbour View was re-branded to higher class **RAMADA HONG KONG HARBOUR VIEW**.

As at 30th June, 2019, the valuation of Royal Scot Hotel, London was GBP£95,000,000 against initial purchase cost GBP£70,000,000. From 22nd June, 2019, the annual rental income of the Royal Scot Hotel increased from GBP£3,137,000 to GBP£3,546,000, increased by 13%.

COSTS

- **THE SERVICE COST** of the Group for the period was HK$143.2 million (six months ended 30th June, 2018: HK$134.7 million) representing hotel operations, increased by 6%.

Name of Hotel	Six months ended 30.6.2018 *HK$ million per month*	**30.6.2019** ***HK$ million per month***	Change
Best Western Plus Hotel Kowloon	3.25	**3.54**	+9%
Best Western Plus Hotel Hong Kong	3.92	**4.13**	+5%
Best Western Grand Hotel	4.32	**4.55**	+5%
Ramada Hong Kong Harbour View	4.59	**4.97**	+8%
Best Western Hotel Causeway Bay	3.14	**3.21**	+2%
Grand City Hotel	2.44	**2.68**	+8%
Magnificent International Hotel, Shanghai	1.15	**1.14**	-1%

During the period, the service cost of Best Western Plus Hotel Kowloon increased by 9% due to the increase of 40 rooms which represents about 20% of the total hotel rooms.

Cost of sale of HK$2 million (six months ended 30th June, 2018: HK$2 million) was from cost of food and beverage.

- During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK$14.9 million (six months ended 30th June, 2018: HK$14.8 million), representing cost for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK$37.9 million (six months ended 30th June, 2018: HK$35.6 million) for the period.

DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended 30.6.2018 HK$ million	**30.6.2019** ***HK$ million***	Change HK$ million
Best Western Plus Hotel Kowloon	6.6	**8.6**	+2.0
Best Western Plus Hotel Hong Kong	1.9	**1.9**	–
Best Western Grand Hotel	14.4	**14.5**	+0.1
Ramada Hong Kong Harbour View	2.8	**3.0**	+0.2
Best Western Hotel Causeway Bay	5.7	**5.7**	–
Grand City Hotel	2.9	**2.9**	–
Magnificent International Hotel, Shanghai	1.3	**1.3**	–
Total amount for the period	35.6	**37.9**	+2.3

FUNDING

- As at 30th June, 2019, the **OVERALL DEBTS** of the Group were HK$399 million (31st December, 2018: HK$457 million), of which HK$399 million (31st December, 2018: HK$452 million) was bank borrowings which was secured by certain assets of the Group and no advance from shareholder (31st December, 2018: HK$5 million).

  The overall debts were analysed as follows:

	As at 31st December, 2018 *HK$ million*	**As at 30th June, 2019** ***HK$ million***	Change *HK$ million*	**Interest Paid As at 30th June, 2019** ***HK$ million***
Bank loans	452	**399**	-53	**4**
Shareholder's loan	5	**–**	–	**–**
Overall debts	457	**399**	-53	**4**

FINANCE COST: Of these loans, the total interest expenses amounted to HK$4.009 million (30th June, 2018: HK$6.787 million), the bank loans interest expenses amounted to HK$4.009 million (30th June, 2018: HK$6.783 million) and no interest expenses on the shareholder's loan (30th June, 2018: 0.004 million). The bank loan interest decreased due to repayment of bank loans during the period.

The gearing ratio was 10% (31st December, 2018: 11%) in terms of overall debts of HK$399 million (31st December, 2018: HK$457 million) against funds employed of HK$4,068 million which represent all hotel properties before revaluation (31st December, 2018: HK$4,062 million).

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, 2019, the Group's staffing level did not have material change when compared with that of 31st December, 2018. Remuneration and benefit were set with reference to the market.

LOOKING AHEAD

- During the period, the hotel revenue modest increased by 2%. 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 about 70% of the market.

- With the current political crisis and violent street protests, there is a large reduction of visitors to Hong Kong. Until the crisis is well over, our Group's hotels may suffer substantial reduction in hotel revenue which may affect profitability and dividend payment of the year.

- The management will try to seek an opportunities to further increase overall revenue and operating profit by 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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, 2019, 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 (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 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	6,360,585,437 *(Note)*	71.09
Jennie Wong Kwai Fong	Beneficial owner	Personal	6,425	0.00

Note:

Shun Ho Property Investments Limited ("Shun Ho Property") beneficially owned 2,709,650,873 shares of the Company (the "Shares") (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow Engineering & Construction Company Limited ("Fastgrow"), representing a total of 6,360,585,437 Shares (71.09%). Mr. William Cheng Kai Man had controlling interest 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 held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Property *(Note 1)*	Interest of controlled corporations	Corporate	367,671,999	63.42
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	Shun Ho Property	Beneficial owner	Personal	6,000	0.00
Jennie Wong Kwai Fong	Shun Ho Holdings	Beneficial owner	Personal	8,100	0.00

Notes:

1. Shun Ho Property, the Company's immediate holding company, 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 intermediate 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 shares of the associated corporations are long position.

An employees share option scheme 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, 2019, 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, 2019, 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
Shun Ho Property *(Note 1)*	Beneficial owner and interest of controlled corporations	6,360,663,987 (L)	71.09
Omnico Company Inc. ("Omnico") *(Note 2)*	Interest of controlled corporations	6,360,663,987 (L)	71.09
Shun Ho Holdings *(Note 2)*	Interest of controlled corporations	6,360,663,987 (L)	71.09
Trillion Resources *(Note 2)*	Interest of controlled corporations	6,360,663,987 (L)	71.09
Liza Lee Pui Ling *(Note 3)*	Interest of spouse	6,360,663,987 (L)	71.09
Fastgrow	Beneficial owner	2,978,198,581 (L)	33.29
Shobokshi Hussam Ali H. *(Note 4)*	Interest of controlled corporations	717,904,500 (L)	8.02
Saray Value SPV Asia I *(Note 4)*	Beneficial owner and interest in persons acting in concert	717,904,500 (L)	8.02
Saray Value Fund SPC *(Note 4)*	Beneficial owner and interest in persons acting in concert	717,904,500 (L)	8.02
Saray Developed Markets Value Fund *(Note 4)*	Beneficial owner and interest in persons acting in concert	717,904,500 (L)	8.02
Saray Capital Limited *(Note 4)*	Interests of controlled corporations	717,904,500 (L)	8.02
North Salomon Limited *(Note 4)*	Interests of controlled corporations	717,904,500 (L)	8.02

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding
Hashim Majed Hashim A. *(Note 4)*	Interests of controlled corporations	717,904,500 (L)	8.02
Credit Suisse Trust Limited *(Note 4)*	Interests of controlled corporations	717,904,500 (L)	8.02
FMR LLC *(Note 5)*	Interests of controlled corporations	469,451,000 (L)	5.25

Notes:

1. Shun Ho Property beneficially owned 2,709,729,423 Shares (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow, representing a total of 6,360,663,987 Shares (71.09%). The above-mentioned companies were wholly-owned subsidiaries of Shun Ho Property.

2. Shun Ho Property is directly and indirectly owned as to 60.38% by Omnico, which was in turn owned as to 100% by Shun Ho Holdings, which was in turn directly owned as to 50.6% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, Shun Ho Holdings and Trillion Resources were taken to be interested in 6,360,663,987 Shares by virtue of their direct or indirect interests in Shun Ho Property.

3. Madam Liza Lee Pui Ling was deemed to be interested in 6,360,663,987 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

4. Saray Value SPV Asia I ("Saray Value SPV") beneficially held 538,891,639 Shares (6.02%). Saray Developed Markets Value Fund ("Saray Developed") beneficially held 110,220,861 Shares (1.23%). Saray Value Fund SPC ("Saray Value Fund") beneficially held 68,792,000 Shares (0.77%). Saray Value SPV, Saray Developed and Saray Value Fund were wholly-owned subsidiaries of Saray Capital Limited. Therefore, Saray Value SPV had interest in person acting in concert of 110,220,861 Shares held by Saray Developed and 68,792,000 Shares held by Saray Value Fund. Saray Developed had interest in person acting in concert of 538,891,639 Shares held by Saray Value SPV and 68,792,000 Shares held by Saray Value Fund. Saray Value Fund had interest in person acting in concert of 538,891,639 Shares held by Saray Value SPV and 110,220,861 Shares held by Saray Developed. Saray Capital Limited was held by Shobokshi Hussam Ali H. as to 35% and Hashim Majed Hashim A. as to 45%. Therefore, total number of Shares in which Saray Value SPV, Saray Developed, Saray Value Fund, Saray Capital Limited, Shobokshi Hussam Ali H. and Hashim Majed Hashim A. were interested under section 317 and 318 of SFO was 717,904,500 Shares (8.02%).

   Saray Value SPV held by North Salomon Limited as to 93.79%, Saray Developed was held by North Salomon Limited as to 82.93% and Saray Value Fund was held by North Salomon Limited as to 64.18%. North Salomon Limited was held by Credit Suisse Trust Limited as to 100%. Therefore, total number of Shares in which North Salomon Limited and Credit Suisse Trust Limited were interested under section 317 and 318 of SFO was 717,904,500 Shares (8.02%).

5. Fidelity Management & Research (Japan) Limited beneficially held 220,316,000 Shares (2.46%). Fidelity Management & Research (Hong Kong) Limited beneficially held 90,048,000 Shares (1.01%). FMR Investment Management (UK) Limited beneficially held 159,087,000 Shares (1.78%). Both Fidelity Management & Research (Japan) Limited and Fidelity Management & Research (Hong Kong) Limited were wholly-owned by Fidelity Management & Research Company. FMR Investment Management (UK) Limited was wholly-owned by Fidelity Management & Research (U.K.) Inc. which was wholly-owned by Fidelity Management & Research Company, Fidelity Management & Research Company was wholly-owned by FMR LLC. Therefore, FMR LLC was deemed to have interest in 469,451,000 Shares (5.25%).

L: Long Position

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares of the Company 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, 2019 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 15 of this interim report. The interim results and the interim report 2019 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, 2019, 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, 19th August, 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF MAGNIFICENT HOTEL INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Magnificent Hotel Investments Limited (the "Company") and its subsidiaries set out on pages 16 to 48, which comprise the condensed consolidated statement of financial position as of 30th June, 2019 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
19th August, 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	NOTES	Six months ended 30th June, 2019	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**268,666**	265,037
Cost of sales		**(2,123)**	(2,205)
Other service costs		**(143,203)**	(134,736)
Depreciation of property, plant and equipment and release of prepaid lease payments for land/depreciation of right-of-use assets		**(37,947)**	(35,629)
Gross profit		**85,393**	92,467
Increase in fair value of investment properties		**–**	5,235
Other income and expenses and gains and losses		**8,804**	3,827
Administrative expenses		**(18,698)**	(18,092)
– Depreciation		**(3,839)**	(3,323)
– Others		**(14,859)**	(14,769)
Finance costs	*5*	**(4,009)**	(6,787)
Profit before taxation		**71,490**	76,650
Income tax expense	*6*	**(13,891)**	(15,183)
Profit for the period attributable to owners of the Company	*7*	**57,599**	61,467
		HK cents	*HK cents*
Earnings per share	*9*		
Basic		**0.64**	0.69
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	Six months ended 30th June, 2019 *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Profit for the period	**57,599**	61,467
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	**8,404**	(11,619)
Item that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(1,413)**	(11,253)
Other comprehensive income (expense) for the period	**6,991**	(22,872)
Total comprehensive income attributable to owners of the Company	**64,590**	38,595

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2019

	NOTES	**As at 30th June, 2019** *HK$'000* **(Unaudited)**	As at 31st December, 2018 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,634,206**	2,690,769
Prepaid lease payments for land		**–**	27,105
Right-of-use assets		**27,513**	–
Investment properties	*11*	**1,097,400**	1,099,300
Equity instruments at fair value through other comprehensive income		**329,115**	320,711
Deposit paid for acquisition of property, plant and equipment		**5,800**	–
		4,094,034	4,137,885
CURRENT ASSETS			
Inventories		**1,113**	1,309
Prepaid lease payments for land		**–**	815
Trade and other receivables	*12*	**12,186**	23,827
Other deposits and prepayments		**10,947**	8,330
Bank balances and cash		**512,405**	499,169
		536,651	533,450
CURRENT LIABILITIES			
Trade and other payables and accruals	*13*	**26,054**	24,822
Rental and other deposits received		**10,686**	10,752
Contract liabilities		**4,646**	3,680
Amount due to immediate holding company	*16(b)*	**–**	5,088
Tax liabilities		**22,494**	14,611
Bank loans	*14*	**130,870**	172,735
		194,750	231,688
NET CURRENT ASSETS		**341,901**	301,762
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,435,935**	4,439,647

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30TH JUNE, 2019

	NOTES	**As at 30th June, 2019**	As at 31st December, 2018
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
CAPITAL AND RESERVES			
Share capital	*15*	**841,926**	841,926
Reserves		**3,225,990**	3,219,735
TOTAL EQUITY		**4,067,916**	4,061,661
NON-CURRENT LIABILITIES			
Bank loans	*14*	**268,260**	278,866
Rental deposits received		**1,646**	1,552
Deferred tax liabilities		**98,113**	97,568
		368,019	377,986
		4,435,935	4,439,647

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	Attributable to owners of the Company							
	Share capital	Special capital reserve	Property revaluation reserve	Securities revaluation reserve	Foreign currency translation reserve	Other reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note a)	*(Note b)*			*(Note c)*		
At 1st January, 2018 (audited)	841,926	612,477	179	299,118	(9,818)	3,561	2,213,830	3,961,273
Profit for the period	–	–	–	–	–	–	61,467	61,467
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	–	(11,619)	–	–	–	(11,619)
Exchange differences arising on translation of foreign operations	–	–	–	–	(11,253)	–	–	(11,253)
Total comprehensive (expense) income for the period	–	–	–	(11,619)	(11,253)	–	61,467	38,595
Final dividend paid for the year ended 31st December, 2017 *(note 8)*	–	–	–	–	–	–	(56,098)	(56,098)
At 30th June, 2018 (unaudited)	841,926	612,477	179	287,499	(21,071)	3,561	2,219,199	3,943,770
At 1st January, 2019 (audited)	**841,926**	**612,477**	**179**	**244,354**	**(51,759)**	**3,561**	**2,410,923**	**4,061,661**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**57,599**	**57,599**
Fair value gain on equity instruments at fair value through other comprehensive income	**–**	**–**	**–**	**8,404**	**–**	**–**	**–**	**8,404**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(1,413)**	**–**	**–**	**(1,413)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**8,404**	**(1,413)**	**–**	**57,599**	**64,590**
Final dividend paid for the year ended 31st December, 2018 *(note 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**(58,335)**	**(58,335)**
At 30th June, 2019 (unaudited)	**841,926**	**612,477**	**179**	**252,758**	**(53,172)**	**3,561**	**2,410,187**	**4,067,916**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

Notes:

(a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's shares in 1999.

(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 other reserve represents the difference between the sales proceeds from the disposal of partial interest in a subsidiary and the reduction of interest in the carrying amounts of assets and liabilities of the subsidiary in previous year.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	Six months ended 30th June,	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**122,068**	138,261
Net cash from (used in) investing activities		
Expenditure on properties under development	**–**	(851)
Acquisition of property, plant and equipment	**(3,085)**	(2,647)
Payment for acquisition of a subsidiary	**–**	(38,191)
Proceeds from disposal of property, plant and equipment	**21,587**	122
Deposit paid for acquisition of property, plant and equipment	**(5,800)**	–
	12,702	(41,567)
Net cash used in financing activities		
Interest paid	**(4,009)**	(6,885)
Repayment of bank loans	**(51,900)**	(28,579)
Dividend paid to shareholders	**(60,404)**	(62,987)
Advance from immediate holding company	**–**	5,784
Repayment to immediate holding company	**(5,088)**	–
Repayment to ultimate holding company	**–**	(1,501)
	(121,401)	(94,168)
Net increase in cash and cash equivalents	**13,369**	2,526
Cash and cash equivalents at the beginning of the period	**499,169**	608,762
Effect of foreign exchange rate changes	**(133)**	(1,164)
Cash and cash equivalents at the end of the period	**512,405**	610,124

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (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, 2018 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, 2018 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, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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, 2019 for the preparation of the Group's condensed consolidated financial statements:

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

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

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

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 16 "Leases" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

Definition of a lease *(Continued)*

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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 16 "Leases" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to lease of office premises that has a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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 16 "Leases" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "*Financial Instruments*" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

As a lessor

Allocation of consideration to components of a contract

Effective on 1st January, 2019, the Group applies HKFRS 15 "*Revenue from Contracts with Customers*" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "*Determining whether an Arrangement contains a Lease*" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

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

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 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee ***(Continued)***

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients of elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within twelve months of the date of initial application to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

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

	At 1st January, 2019 *HK$'000*
Operating lease commitments disclosed as at 31st December, 2018	**3,044**
Less: Recognition exemption – short-term leases	**(1,424)**
Recognition exemption – low-value assets	**(1,620)**
	–

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 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee *(Continued)*

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

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16:	
Reclassified from prepaid lease payments for land *(note)*	27,920
Analysed as:	
Leasehold lands	27,920

Note: Upfront payment for leasehold land in the People's Republic of China (the "PRC") was classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$815,000 and HK$27,105,000 respectively were reclassified to right-of-use assets.

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 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessor

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

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1st January, 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1st January, 2019. However, effective 1st January, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

2.2 Impacts and changes in accounting policies of application of other new and amendments to HKFRSs

Impacts and changes in accounting policies of application on HK(IFRIC)-Int 23 "Uncertainty over Income Tax Treatments"

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The application of HK(IFRIC)-Int 23 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.

Impacts and changes in accounting policies of application on Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"

The amendments clarify that for the purpose of assessing whether a prepayment feature meets the condition of representing solely payments of principal and interest on the principal amount outstanding ("SPPI"), the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason i.e. prepayment features with negative compensation do not automatically fail SPPI.

The application of the amendments 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

2.2 Impacts and changes in accounting policies of application of other new and amendments to HKFRSs (Continued)

Impacts and changes in accounting policies of application on Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle

The annual improvement packages amended the following four standards.

HKAS 12 "Income Taxes"

The Group recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

HKAS 23 "Borrowing Costs"

For any specific borrowing that remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that the Group borrows generally when calculating the capitalisation rate on general borrowings.

HKFRS 3 "Business Combinations"

When the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

The application of Amendments to HKFRSs Annual Improvement to HKFRSs 2015-2017 Cycle 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, 2019 *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Income from operation of hotels	**248,370**	243,995
Income from property rental	**16,739**	17,639
Dividend income	**3,557**	3,403
	268,666	265,037

Disaggregation of revenue for hospitality services segment:

	Six months ended 30th June, 2019 *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Types of goods or services (time of revenue recognition):		
Room revenue and other ancillary services (recognised over time)	**238,305**	234,085
Food and beverage (recognised at a point in time)	**10,065**	9,910
	248,370	243,995

	Six months ended 30th June, 2019 *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Geographical markets:		
Hong Kong	**240,220**	234,196
The PRC	**8,150**	9,799
	248,370	243,995

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 – Ramada Hong Kong Harbour View
6. Hospitality services – Best Western Grand Hotel
7. Hospitality services – Grand City Hotel
8. Property investment
9. Securities investment

Information regarding the above segments 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,	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Hospitality services	**248,370**	243,995	**65,097**	71,425
– Best Western Plus Hotel Kowloon	**36,326**	31,652	**6,543**	5,473
– Best Western Plus Hotel Hong Kong	**43,122**	40,858	**16,424**	15,463
– Magnificent International Hotel, Shanghai	**8,150**	9,799	**11**	1,548
– Best Western Hotel Causeway Bay	**31,573**	32,803	**6,562**	8,301
– Ramada Hong Kong Harbour View	**51,823**	50,669	**18,981**	20,348
– Best Western Grand Hotel	**52,349**	53,184	**10,528**	12,813
– Grand City Hotel	**25,027**	25,030	**6,048**	7,479
Property investment	**16,739**	17,639	**16,739**	22,874
Securities investment	**3,557**	3,403	**3,557**	3,403
	268,666	265,037	**85,393**	97,702
Other income and expenses and gains and losses			**8,804**	3,827
Central administration costs and directors' emoluments			**(18,698)**	(18,092)
Finance costs			**(4,009)**	(6,787)
Profit before taxation			**71,490**	76,650

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.

4. SEGMENT INFORMATION *(Continued)*

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

	As at 30th June, 2019 *HK$'000* **(Unaudited)**	As at 31st December, 2018 *HK$'000* (Audited)
Segment assets		
Hospitality services	**2,591,348**	2,634,658
– Best Western Plus Hotel Kowloon	**282,740**	291,785
– Best Western Plus Hotel Hong Kong	**318,872**	320,534
– Magnificent International Hotel, Shanghai	**70,381**	70,679
– Best Western Hotel Causeway Bay	**320,823**	327,868
– Ramada Hong Kong Harbour View	**502,229**	506,924
– Best Western Grand Hotel	**705,258**	721,810
– Grand City Hotel	**391,045**	395,058
Property investment	**1,097,893**	1,099,300
Securities investment	**329,115**	322,040
Total segment assets	**4,018,356**	4,055,998
Unallocated assets	**612,329**	615,337
Consolidated assets	**4,630,685**	4,671,335

4. SEGMENT INFORMATION *(Continued)*

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

	As at 30th June, 2019 *HK$'000* **(Unaudited)**	As at 31st December, 2018 *HK$'000* (Audited)
Segment liabilities		
Hospitality services	**30,328**	24,280
– Best Western Plus Hotel Kowloon	**5,132**	5,714
– Best Western Plus Hotel Hong Kong	**5,562**	3,899
– Magnificent International Hotel, Shanghai	**1,965**	1,256
– Best Western Hotel Causeway Bay	**3,410**	2,540
– Ramada Hong Kong Harbour View	**5,888**	4,687
– Best Western Grand Hotel	**5,715**	4,372
– Grand City Hotel	**2,656**	1,812
Property investment	**10,606**	10,418
Securities investment	**2**	2
Total segment liabilities	**40,936**	34,700
Unallocated liabilities	**521,833**	574,974
Consolidated liabilities	**562,769**	609,674

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 immediate holding company, bank loans, tax payable and deferred tax liabilities.

5. FINANCE COSTS

	Six months ended 30th June,	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans	**4,009**	6,783
Amount due to immediate holding company *(note 16(b))*	**–**	4
	4,009	6,787

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	**10,941**	10,394
The PRC	**–**	339
The United Kingdom (the "UK")	**2,507**	2,713
	13,448	13,446
Overprovision in prior years		
The UK	**(102)**	(63)
	13,346	13,383
Deferred tax	**545**	1,800
	13,891	15,183

6. INCOME TAX EXPENSE *(Continued)*

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, 2019 (six months ended 30th June, 2018: 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.

No deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary were charged to profit or loss for the six months ended 30th June, 2019 (charge to profit or loss for the six months ended 30th June, 2018: HK$102,000).

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2019	2018
	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
Depreciation of right-of-use assets	**407**	–
Depreciation of property, plant and equipment	**41,379**	38,527
Interest on bank deposits *(Note)*	**(4,831)**	(3,485)
(Gain) loss on disposal of property, plant and equipment *(Note)*	**(3,318)**	61

Note: The amounts are included in other income and expenses and gains and losses.

8. DIVIDEND

During the six months ended 30th June, 2019, a final dividend of HK0.652 cent per share amounting to HK$58,335,000 was declared and paid to shareholders for the year ended 31st December, 2018 (six months ended 30th June, 2018: a final dividend of HK0.627 cent per share amounting to HK$56,098,000 was paid to shareholders for the year ended 31st December, 2017).

The interim dividend in respect of the six months ended 30th June, 2019 of HK0.08 cent per share amounting to HK$7,158,000 has been declared by the Board (six months ended 30th June, 2018: HK0.08 cent per share amounting to HK$7,158,000).

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$57,599,000 (six months ended 30th June, 2018: HK$61,467,000) and on 8,947,051,000 shares (six months ended 30th June, 2018: 8,947,051,000 shares) in issue during the period.

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, 2019, the Group has acquired property, plant and equipment of HK$3,085,000 (six months ended 30th June, 2018: HK$40,838,000).

The Group has disposed of property, plant and equipment with carrying amount of HK$18,269,000 (six months ended 30th June, 2018: HK$183,000) during the period.

11. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30th June, 2019 and 31st December, 2018 have been arrived at on the basis of a valuation carried out on that date by 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 Allsop 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$1,057 million (31st December, 2018: HK$1,059 million) were rented out under operating leases at the end of the reporting period. Outgoing expenses for investment properties that are not generating income during the period are insignificant. No fair value changes of investment properties has been recognised directly in profit or loss for the six months ended 30th June, 2019 (six months ended 30th June, 2018: gain on fair value of HK$5,235,000).

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. TRADE AND OTHER RECEIVABLES

	As at 30th June, 2019 *HK$'000* (Unaudited)	As at 31st December, 2018 *HK$'000* (Audited)
Trade receivables	**7,895**	19,155
Other receivables	**4,291**	4,672
	12,186	23,827

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, 2019 *HK$'000* (Unaudited)	As at 31st December, 2018 *HK$'000* (Audited)
Not yet due	**7,587**	17,942
Overdue:		
0 – 30 days	**159**	1,051
31 – 60 days	**79**	119
61 – 90 days	**70**	43
	7,895	19,155

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30th June, 2019 *HK$'000* **(Unaudited)**	As at 31st December, 2018 *HK$'000* (Audited)
Trade payables	**3,491**	3,557
Dividend payable	**–**	2,069
Other payables and accruals	**22,563**	19,196
	26,054	24,822

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, 2019 *HK$'000* **(Unaudited)**	As at 31st December, 2018 *HK$'000* (Audited)
0 – 30 days	**3,452**	3,464
31 – 60 days	**39**	72
61 – 90 days	**–**	21
	3,491	3,557

14. BANK LOANS

	As at 30th June, 2019 *HK$'000* (Unaudited)	As at 31st December, 2018 *HK$'000* (Audited)
Secured bank loans	**399,130**	451,601
Carrying amounts of bank loans that do not contain a repayment on demand clause:		
Repayable within one year from the end of the reporting period	**20,090**	20,130
Not repayable within one year from the end of the reporting period	**268,260**	278,866
	288,350	298,996
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	**52,152**	83,645
Not repayable within one year from the end of the reporting period shown under current liabilities	**58,628**	68,960
	110,780	152,605
	399,130	451,601
Amounts shown under current liabilities	**130,870**	172,735
Amounts shown under non-current liabilities	**268,260**	278,866
	399,130	451,601

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 18. Effective interest rate is 1.89% per annum (31st December, 2018: 2.34% per annum).

15. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares		
Issued and fully paid:		
At 1st January, 2018 (audited), 30th June, 2018 (unaudited), 31st December, 2018 (audited) and 30th June, 2019 (unaudited)	8,947,051	841,926

16. 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,	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Shun Ho Property Investments Limited (the Company's immediate holding company) and its subsidiaries*		
Rental expenses *(note a)*	**1,161**	1,203
Interest expenses *(note b)*	**–**	4
Corporate management fee income for administrative facilities provided	**1,548**	1,548
Corporate management fee income for hotel operations services provided	**419**	388
Dividend paid	**46,559**	39,881
Dividend received	**3,393**	3,230
Shun Ho Holdings Limited (the Company's intermediate holding company)		
Corporate management fee income for administrative facilities provided	**75**	58
Compensation of key management personnel *(note c)*	**4,771**	4,888

* exclude the Company and its subsidiaries

16. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(a) No commitment arised from the lease rental from the immediate holding company.

(b) The amount due to immediate holding company was unsecured, carried interest at fixed rate 2% per annum and repayable on demand as at 31st December, 2018. The advance was fully repaid during the six months ended 30th June, 2019.

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

17. PROJECT/CAPITAL COMMITMENTS

The Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of expenditure on property, plant and equipment amounted HK$382,000 (31st December, 2018: HK$382,000).

18. PLEDGE OF ASSETS/REVENUE

At the end of the 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, 2019 of approximately HK$1,097 million (31st December, 2018: HK$1,099 million), and HK$2,466 million (31st December, 2018: HK$1,297 million), respectively;

(b) pledge of shares in certain subsidiaries with an aggregate net asset value as at 30th June, 2019 of approximately HK$674 million (31st December, 2018: HK$335 million); and

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

19. 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, 2019** ***HK$'000*** **(Unaudited)**	31st December, 2018 *HK$'000* (Audited)	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Equity instrument at fair value through other comprehensive income	**329,115**	320,711	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.