



SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(Stock Code: 253)

Interim Report 2019

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

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.shunho.com.hk

INTERIM RESULTS

The board of directors (the “Board”) of Shun Ho Holdings Limited (the “Company”) announces that the net profit after tax attributable to owners of the Company before revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2019 was HK\$63.0 million (six months ended 30th June, 2018: HK\$62.6 million), increased by 1%.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued with the commercial properties investment and leasing, and hotels investments and hotel management.

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\$63.0 million (six months ended 30th June, 2018: HK\$62.6 million), increased by 1%.

PERFORMANCE

Hotel Business

The income from hotel operations of the Group amounted to HK\$289 million (six months ended 30th June, 2018: HK\$281 million), increased by 3%.

The Group through its subsidiaries presently owns nine hotels, including: (1) Ramada Hong Kong Grand View, (2) Ramada Hong Kong Harbour View, (3) Best Western Plus Hotel Kowloon, (4) Best Western Plus Hotel Hong Kong, (5) Best Western Grand Hotel, (6) Best Western Hotel Causeway Bay, (7) Grand City Hotel, (8) Magnificent International Hotel, Shanghai and (9) Royal Scot Hotel in London. The nine hotels have about 2,821 guest rooms and the Group is one of the largest hotel groups in Hong Kong.

The net profit after tax attributable to owners of Magnificent Hotel 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%. The hotel revenue of Magnificent Hotel increased by 2% while profit from hotel operations decreased by 5%. The average occupancy in the Magnificent Hotel Group's Hong Kong hotels was 99.5% (six months ended 30th June, 2018: 99.6%) and the average room rate was HK\$685 (six months ended 30th June, 2018: HK\$678). The major reason for the above increase in hotel revenue was due to increase in room rates.

During the period, Best Western Hotel Harbour View and Grand View Hotel were re-branded to the higher class **RAMADA HONG KONG HARBOUR VIEW** and **RAMADA HONG KONG GRAND VIEW** respectively.

As at 30th June, 2019, the valuation of the 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%.

Commercial Properties Rental Income

The commercial properties rental income was derived from the hotel property in UK, Royal Scot Hotel in London, office buildings of Shun Ho Tower, 633 King's Road and shops from Best Western Plus Hotel Kowloon, Best Western Plus Hotel Hong Kong and Best Western Grand Hotel amounted to HK\$81 million (six months ended 30th June, 2018: HK\$81 million).

The commercial properties rental income was analysed as follows:

	Six months ended		Change
	30.6.2018 <i>HK\$'000</i>	30.6.2019 <i>HK\$'000</i>	
Royal Scot Hotel	16,379	15,565	-5%
633 King's Road	50,802	52,183	+3%
Shun Ho Tower	12,219	12,103 <i>(Note)</i>	-1%
Shops	<u>1,260</u>	<u>1,174</u>	-7%
Total	<u><u>80,660</u></u>	<u><u>81,025</u></u>	0%

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

- During the period, the decrease in rental income of Royal Scot Hotel in London because of the depreciation of Pound Sterling against Hong Kong dollars. The commercial building at 633 King's Road and Shun Ho Tower were almost fully occupied. The overall increase of office building rental was due to the renewal of leases during the period. The decrease in shop rental was due to providing one month free rental period to a tenant in order to maintain long term good relationship.

During the period, the **administrative expenses** excluding depreciation was HK\$20.6 million (six months ended 30th June, 2018: HK\$20.1 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, 2019, the overall debts of the Group including Shun Ho Property and Magnificent Hotel and their subsidiaries was HK\$990 million (31st December, 2018: HK\$1,110 million). The bank loans decreased due to the repayment of bank borrowings during the period. The gearing ratio of the Group in terms of overall debts against funds employed was 12% (31st December, 2018: 14%).

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 compared with that as at 31st December, 2018. Remuneration and benefit were set with reference to the market.

LOOKING AHEAD

- The Group will continue its business of hotel investments and operations and will seek to acquire more hotel incomes by acquisition of income-producing properties. During the period, the hotel revenue of Magnificent Hotel 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.
- The Group will continue its management and investment of 633 King's Road, Shun Ho Towers, Ice House Street and the income from the investment of Ramada Hong Kong Grand View.
- 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 (“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	216,608,825 (Note)	71.20
Jennie Wong Kwai Fong	Beneficial owner	Personal	8,100	0.00

Note:

Trillion Resources Limited and Mercury Fast Limited beneficially owned 154,006,125 shares of the Company (the “Shares”) (50.60%) and 62,602,700 Shares (20.60%) respectively. Mr. William Cheng Kai Man had controlling interests in the above mentioned companies. All the above interests in 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	Shun Ho Property Investments Limited (“Shun Ho Property”) (Note 1)	Interest of controlled corporations	Corporate	367,671,999	63.42
William Cheng Kai Man	Magnificent Hotel Investments Limited (“Magnificent Hotel”) (Note 2)	Interest of controlled corporations	Corporate	6,360,585,437	71.09
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 Property	Beneficial owner	Personal	6,000	0.00

Notes:

1. Shun Ho Property, the Company’s subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Magnificent Hotel, the Company’s indirect subsidiary, 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 Magnificent Hotel, an indirect 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, 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 pursuant to 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 corporation, 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
Mercury Fast Limited (“Mercury”)	Beneficial owner	62,602,700	20.60
Magnificent Hotel (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Shun Ho Property (<i>Note 1</i>)	Interest of controlled corporation	62,602,700	20.60
Trillion Resources (<i>Note 2</i>)	Beneficial owner and interest of controlled corporation	216,608,825	71.20
Liza Lee Pui Ling (<i>Note 3</i>)	Interest of spouse	216,608,825	71.20

Notes:

1. Magnificent Hotel and Shun Ho Property were taken to be interested in 62,602,700 Shares held by Mercury, a wholly-owned subsidiary of Magnificent Hotel which in turn owned as to 71.09% by Shun Ho Property and its subsidiaries.
2. Trillion Resources beneficially owned 154,006,125 Shares (50.60%) and was taken to be interested in 62,602,700 Shares (20.60%) held by Mercury which is the Company's indirect subsidiary.
3. Madam Liza Lee Pui Ling was deemed to be interested in 216,608,825 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
4. All the above interests in the Shares are long position.

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, 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 12 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 SHUN HO HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shun Ho Holdings Limited (the “Company”) and its subsidiaries set out on pages 13 to 42, 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

	<i>NOTES</i>	Six months ended 30th June, 2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Revenue	3	370,197	361,840
Cost of sales		(2,253)	(2,353)
Other service costs		(167,132)	(156,489)
Depreciation of property, plant and equipment and release of prepaid lease payments for land/depreciation of right-of-use assets		(51,469)	(49,434)
Gross profit		149,343	153,564
Increase in fair value of investment properties		10,000	202,635
Other income and expenses and gains and losses		8,952	5,948
Administrative expenses		(25,047)	(24,093)
– Depreciation		(4,460)	(3,945)
– Others		(20,587)	(20,148)
Finance costs	5	(12,684)	(16,920)
Profit before taxation		130,564	321,134
Income tax expense	6	(24,715)	(24,509)
Profit for the period	7	105,849	296,625
Profit for the period attributable to:			
Owners of the Company		45,545	142,433
Non-controlling interests		60,304	154,192
		105,849	296,625
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		18.84	58.91
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	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>105,849</u>	<u>296,625</u>
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	171	(312)
Item that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	<u>(1,413)</u>	<u>(11,253)</u>
Other comprehensive expense for the period	<u>(1,242)</u>	<u>(11,565)</u>
Total comprehensive income for the period	<u>104,607</u>	<u>285,060</u>
Total comprehensive income attributable to:		
Owners of the Company	45,090	138,304
Non-controlling interests	<u>59,517</u>	<u>146,756</u>
	<u>104,607</u>	<u>285,060</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2019

	<i>NOTES</i>	As at 30th June, 2019 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2018 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,764,078	3,833,997
Right-of-use assets		27,513	–
Prepaid lease payments for land		–	27,105
Investment properties	11	5,024,600	5,016,500
Equity instruments at fair value through other comprehensive income		4,686	4,515
Deposit paid for acquisition of property, plant and equipment		<u>5,800</u>	<u>–</u>
		<u>8,826,677</u>	<u>8,882,117</u>
CURRENT ASSETS			
Inventories		1,316	1,459
Prepaid lease payments for land		–	815
Trade and other receivables	12	20,045	31,980
Other deposits and prepayments		16,717	12,999
Bank balances and cash		<u>621,147</u>	<u>583,248</u>
		<u>659,225</u>	<u>630,501</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	13	34,172	36,721
Rental and other deposits received		28,524	22,616
Contract liabilities		5,825	5,031
Amount due to ultimate holding company	16(a)	55,000	26,494
Tax liabilities		34,160	16,421
Bank loans	14	<u>214,604</u>	<u>272,850</u>
		<u>372,285</u>	<u>380,133</u>
NET CURRENT ASSETS		<u>286,940</u>	<u>250,368</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,113,617</u>	<u>9,132,485</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30TH JUNE, 2019

		As at 30th June, 2019 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2018 <i>HK\$'000</i> (Audited)
	<i>NOTES</i>		
CAPITAL AND RESERVES			
Share capital	15	172,252	172,252
Reserves		<u>3,764,449</u>	<u>3,712,395</u>
Equity attributable to owners of the Company		3,936,701	3,884,647
Non-controlling interests		<u>4,268,128</u>	<u>4,245,085</u>
Total equity		<u>8,204,829</u>	<u>8,129,732</u>
NON-CURRENT LIABILITIES			
Bank loans	14	719,994	810,674
Rental deposits received		23,760	28,557
Deferred tax liabilities		<u>165,034</u>	<u>163,522</u>
		<u>908,788</u>	<u>1,002,753</u>
		<u>9,113,617</u>	<u>9,132,485</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	Attributable to owners of the Company									
	Share capital HK\$'000	Property revaluation reserve HK\$'000 (Note a)	Securities revaluation reserve HK\$'000 (Note d)	Foreign currency translation reserve HK\$'000	Own shares held by a subsidiary HK\$'000 (Note b)	Other reserve HK\$'000 (Note c)	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2018 (audited)	172,252	22,702	(12,374)	(3,899)	(12,834)	775,079	2,603,431	3,544,357	3,996,762	7,541,119
Profit for the period	-	-	-	-	-	-	142,433	142,433	154,192	296,625
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(68)	-	-	-	-	(68)	(244)	(312)
Exchange differences arising on translation of foreign operations	-	-	-	(4,061)	-	-	-	(4,061)	(7,192)	(11,253)
Total comprehensive (expense) income for the period	-	-	(68)	(4,061)	-	-	142,433	138,304	146,756	285,060
Acquisition of additional interest in a subsidiary	-	-	-	-	-	40,374	-	40,374	(53,893)	(13,519)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(26,444)	(26,444)
At 30th June, 2018 (unaudited)	<u>172,252</u>	<u>22,702</u>	<u>(12,442)</u>	<u>(7,960)</u>	<u>(12,834)</u>	<u>815,453</u>	<u>2,745,864</u>	<u>3,723,035</u>	<u>4,063,181</u>	<u>7,786,216</u>
At 1st January, 2019 (audited)	<u>172,252</u>	<u>22,702</u>	<u>(12,669)</u>	<u>(19,193)</u>	<u>(12,834)</u>	<u>820,719</u>	<u>2,913,670</u>	<u>3,884,647</u>	<u>4,245,085</u>	<u>8,129,732</u>
Profit for the period	-	-	-	-	-	-	45,545	45,545	60,304	105,849
Fair value gain on equity instruments at fair value through other comprehensive income	-	-	63	-	-	-	-	63	108	171
Exchange differences arising on translation of foreign operations	-	-	-	(518)	-	-	-	(518)	(895)	(1,413)
Total comprehensive income (expense) for the period	-	-	63	(518)	-	-	45,545	45,090	59,517	104,607
Acquisition of additional interest in a subsidiary	-	-	-	-	-	6,964	-	6,964	(9,037)	(2,073)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(27,437)	(27,437)
At 30th June, 2019 (unaudited)	<u>172,252</u>	<u>22,702</u>	<u>(12,606)</u>	<u>(19,711)</u>	<u>(12,834)</u>	<u>827,683</u>	<u>2,959,215</u>	<u>3,936,701</u>	<u>4,268,128</u>	<u>8,204,829</u>

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

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

Notes:

- (a) The property revaluation reserve is frozen upon the transfer and will be transferred to retained profits when the relevant properties are disposed of.
- (b) 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.
- (c) The other reserve was resulted from the acquisition of additional interest or disposal of partial interest in subsidiaries without losing control in previous years.
- (d) The securities revaluation reserve at 30th June, 2019 mainly consists of the Group's share of a decrease in change in value of securities amounting to HK\$12,252,000 (31st December, 2018: HK\$12,252,000) attributable to the securities held by a former associate, which has become a subsidiary of the Company since 2001.

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	<u>194,379</u>	<u>206,666</u>
Net cash from (used in) investing activities		
Expenditure on properties under development	–	(851)
Acquisition of property, plant and equipment	(3,872)	(3,703)
Payments for acquisition of subsidiaries	–	(38,191)
Proceeds from disposal of property, plant and equipment	21,587	122
Deposit paid for acquisition of property, plant and equipment	<u>(5,800)</u>	<u>–</u>
	<u>11,915</u>	<u>(42,623)</u>
Net cash used in financing activities		
Interest paid	(11,171)	(15,712)
Repayment of bank loans	(148,355)	(65,034)
Dividends paid to shareholders	(33,656)	(32,449)
Acquisition of additional interest in a subsidiary	(2,073)	(13,519)
Advance from ultimate holding company	27,000	24,500
Repayment to ultimate holding company	<u>(7)</u>	<u>(2,509)</u>
	<u>(168,262)</u>	<u>(104,723)</u>
Net increase in cash and cash equivalents	38,032	59,320
Cash and cash equivalents at the beginning of the period	583,248	901,914
Effect of foreign exchange rate changes	<u>(133)</u>	<u>(1,164)</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>621,147</u>	<u>960,070</u>

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.

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. 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”*

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.

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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to lease of office premises that have 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 and lease of low-value assets leases are recognised as expense on a straight-line basis over 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)*

Right-of-use assets

Except for short-term leases and lease 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.

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.

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)

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.

2.1.2 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.

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

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.

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	1,620
Less: Recognition exemption – low-value assets	(1,620)
	<u> </u> <u> </u> <u> </u>

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)	<u>27,920</u>
Analysed as:	
Leasehold lands	<u>27,920</u>

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.

2.2 *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.

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 HK(IFRIC)-Int 23 “Uncertainty over Income Tax Treatments” (Continued)

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.

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.

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 (Continued)

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	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income from operation of hotels	289,009	281,007
Income from property rental	81,025	80,660
Dividend income	163	173
	<u>370,197</u>	<u>361,840</u>

3. REVENUE (*Continued*)

Disaggregation of revenue for hospitality services segment:

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods or services (time of revenue recognition):		
Room revenue and other ancillary services (recognised over time)	278,795	270,205
Food and beverage (recognised at a point in time)	10,214	10,802
	289,009	281,007
	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Geographical markets:		
Hong Kong	280,859	271,208
The PRC	8,150	9,799
	289,009	281,007

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. Hospitality services – Ramada Hong Kong Grand View
9. Property investment – 633 King's Road
10. Property investment – Shun Ho Tower
11. Property investment – Shops and hotel
12. 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		Segment profit	
	Six months ended 30th June,		Six months ended 30th June,	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	289,009	281,007	68,472	72,894
– Best Western Plus Hotel Kowloon	36,326	31,652	3,912	2,842
– 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
– Ramada Hong Kong Grand View	40,639	37,012	6,006	4,100
Property investment	81,025	80,660	90,708	283,132
– 633 King's Road	52,183	50,802	61,965	210,700
– Shun Ho Tower	12,103	12,219	12,004	49,558
– Shops and hotel	16,739	17,639	16,739	22,874
Securities investment	163	173	163	173
	<u>370,197</u>	<u>361,840</u>	<u>159,343</u>	<u>356,199</u>
Other income and expenses and gains and losses			8,952	5,948
Central administration costs and directors' emoluments			(25,047)	(24,093)
Finance costs			(12,684)	(16,920)
Profit before taxation			<u>130,564</u>	<u>321,134</u>

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 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2018 <i>HK\$'000</i> (Audited)
Segment assets		
Hospitality services	3,662,745	3,718,796
– Best Western Plus Hotel Kowloon	377,347	389,022
– 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
– Ramada Hong Kong Grand View	976,790	986,901
Property investment	5,031,120	5,023,300
– 633 King's Road	3,085,010	3,075,734
– Shun Ho Tower	848,217	848,266
– Shops and hotel	1,097,893	1,099,300
Securities investment	4,686	5,844
Total segment assets	8,698,551	8,747,940
Unallocated assets	787,351	764,678
Consolidated assets	9,485,902	9,512,618

4. SEGMENT INFORMATION (Continued)

	As at 30th June, 2019 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2018 <i>HK\$'000</i> (Audited)
Segment liabilities		
Hospitality services	34,974	27,886
– 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
– Ramada Hong Kong Grand View	4,646	3,606
Property investment	52,278	50,437
– 633 King's Road	33,271	31,913
– Shun Ho Tower	8,401	8,106
– Shops and hotel	10,606	10,418
Securities investment	<u>2</u>	<u>2</u>
Total segment liabilities	87,254	78,325
Unallocated liabilities	<u>1,193,819</u>	<u>1,304,561</u>
Consolidated liabilities	<u>1,281,073</u>	<u>1,382,886</u>

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 ultimate 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	11,171	15,654
Amount due to ultimate holding company (<i>note 16a</i>)	<u>1,513</u>	<u>1,266</u>
	<u>12,684</u>	<u>16,920</u>

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	20,798	18,946
The PRC	–	339
The United Kingdom (the “UK”)	<u>2,507</u>	<u>2,713</u>
	23,305	21,998
Overprovision in prior years		
The UK	<u>(102)</u>	<u>(63)</u>
	23,203	21,935
Deferred tax	<u>1,512</u>	<u>2,574</u>
	<u>24,715</u>	<u>24,509</u>

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 (charged 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	55,522	52,954
Interest on bank deposits (Note)	(5,118)	(5,000)
(Gain) loss on disposal of property, plant and equipment (Note)	(3,318)	79

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

8. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors have resolved not to declare an interim dividend for the six months ended 30th June, 2019 (six months ended 30th June, 2018: nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$45,545,000 (six months ended 30th June, 2018: HK\$142,433,000) and on 241,766,000 shares (six months ended 30th June, 2018: 241,766,000 shares) in issue during the period. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2019, the Group has acquired property, plant and equipment of HK\$3,872,000 (six months ended 30th June, 2018: HK\$41,894,000).

The Group has disposed of property, plant and equipment with carrying amount of HK\$18,269,000 (six months ended 30th June, 2018: HK\$201,000) 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\$4,985 million (31st December, 2018: HK\$4,977 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\$10,000,000 has been recognised directly in profit or loss for the six months ended 30th June, 2019 (six months ended 30th June, 2018: HK\$202,635,000).

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	11,344	24,604
Other receivables	8,701	7,376
	<u>20,045</u>	<u>31,980</u>

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	11,034	23,385
Overdue:		
0 – 30 days	159	1,057
31 – 60 days	81	119
61 – 90 days	70	43
	<u>11,344</u>	<u>24,604</u>

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	4,243	4,072
Other payables and accruals	<u>29,929</u>	<u>32,649</u>
	<u>34,172</u>	<u>36,721</u>

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

	As at 30th June, 2019 HK\$'000 (Unaudited)	As at 31st December, 2018 HK\$'000 (Audited)
0 – 30 days	4,204	3,979
31 – 60 days	39	72
61 – 90 days	<u>–</u>	<u>21</u>
	<u>4,243</u>	<u>4,072</u>

14. BANK LOANS

	As at 30th June, 2019 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2018 <i>HK\$'000</i> (Audited)
Secured bank loans	<u>934,598</u>	<u>1,083,524</u>
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	60,239	60,280
Not repayable within one year from the end of the reporting period	<u>719,994</u>	<u>810,674</u>
	<u>780,233</u>	<u>870,954</u>
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	84,913	116,405
Not repayable within one year from the end of the reporting period shown under current liabilities	<u>69,452</u>	<u>96,165</u>
	<u>154,365</u>	<u>212,570</u>
	<u>934,598</u>	<u>1,083,524</u>
Amounts shown under current liabilities	214,604	272,850
Amounts shown under non-current liabilities	<u>719,994</u>	<u>810,674</u>
	<u>934,598</u>	<u>1,083,524</u>

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 2.21% per annum (31st December, 2018: 2.18% per annum).

15. SHARE CAPITAL

	Number of shares '000	Amount 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)	<u>304,369</u>	<u>172,252</u>

At 30th June, 2019, the Company's 62,603,000 (31st December, 2018: 62,603,000) 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.

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 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Trillion Resources Limited (the Company's ultimate holding company)		
Interest expenses (<i>note a</i>)	1,513	1,266
Compensation of key management personnel (<i>note b</i>)	<u>8,607</u>	<u>7,911</u>

Notes:

- (a) The amount due to ultimate holding company is unsecured, carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 4% (31st December, 2018: HIBOR plus 4%) per annum and repayable on demand.
- (b) 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\$4,177 million (31st December, 2018: HK\$4,169 million) and HK\$3,428 million (31st December, 2018: HK\$2,268 million), respectively;
- (b) pledge of shares in certain subsidiaries with an aggregate net asset value as at 30th June, 2019 of approximately HK\$3,918 million (31st December, 2018: HK\$970 million); and
- (c) assignment of the Group's rentals 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).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

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

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30th June, 2019	31st December, 2018		
	<i>HK\$ '000</i> (Unaudited)	<i>HK\$ '000</i> (Audited)		
Equity instrument at fair value through other comprehensive income	4,686	4,515	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.