



Shun Ho Holdings Limited

順豪控股有限公司

(Stock Code 股份代號: 253)

---

ANNUAL REPORT 2019  
二零一九年年報

## Contents

---

	<i>Page(s)</i>
Corporate Information . . . . .	2
Notice of Annual General Meeting . . . . .	3-4
Chairman’s Statement . . . . .	5-22
Directors’ Profiles . . . . .	23
Corporate Governance Report . . . . .	24-33
Report of the Directors . . . . .	34-40
Independent Auditor’s Report . . . . .	41-44
Consolidated Statement of Profit or Loss . . . . .	45
Consolidated Statement of Total Comprehensive Income . . . . .	46
Consolidated Statement of Financial Position . . . . .	47-48
Consolidated Statement of Changes in Equity . . . . .	49
Consolidated Statement of Cash Flows . . . . .	50
Notes to the Consolidated Financial Statements . . . . .	51-117
Financial Summary . . . . .	118-119
Major Properties . . . . .	120

## 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](http://www.shunho.com.hk)

## Notice of Annual General Meeting

---

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of Shun Ho Holdings Limited (the “Company”) will be held at 1st Floor, Ramada Hong Kong Grand View, 88 Chun Yeung Street, North Point, Hong Kong on Friday, the 22nd day of May, 2020 at 11:30 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements for the year ended 31st December, 2019 together with the Report of the Directors and the Independent Auditor’s Report thereon.
2. (a) Each as a separate resolution, to re-elect the following retiring Directors:
  - (i) To re-elect Madam Kimmy LAU Kam May as Director;
  - (ii) To re-elect Mr. Vincent KWOK Chi Sun as Director; and(b) To authorise the board of Directors (the “Board”) to fix the remuneration of the Directors.
3. To re-appoint Auditor and to authorise the Board to fix their remuneration.

By Order of the Board  
**Shun Ho Holdings Limited**

**KOO Ching Fan**  
*Company Secretary*

Hong Kong, 21st April, 2020

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of such power or authority must be deposited at the Company’s Share Registrars, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.

3. To ascertain shareholders’ eligibility to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 19th May, 2020 to Friday, 22nd May, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrars, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 18th May, 2020.

4. With regard to item no. 2 of this notice, details of retiring Directors of the Company proposed for re-election are set out below.

- (a) Madam Kimmy LAU Kam May

Madam Kimmy LAU Kam May, Executive Director, aged 52, FCCA, CPA, was appointed to the Board in 2017. She is the Chief Financial Officer of the Company. She is also an executive director of Shun Ho Property Investments Limited and Magnificent Hotel Investments Limited, both of them are subsidiaries of the Company. Shares of both companies are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). She has extensive experience in accounting, auditing and financial management and was employed in an international audit firm for more than 5 years. She has more than 20 years for working in Hong Kong listed public companies including more than 10 years working with the Company. Madam Kimmy LAU Kam May is a director of a subsidiary of Magnificent Hotel Investments Limited. Save as disclosed above, Madam Kimmy LAU Kam May did not hold any directorship in other listed public companies in the last three years and did not hold any other position with the Company and other members of the Group.

There is no service contract between Madam Kimmy LAU Kam May and the Company. She has no fixed term of service with the Company and will be subject to the rotational retirement and re-election requirements at the annual general meetings of the Company pursuant to the articles of association of the Company. The Director’s fee payable to Madam Kimmy LAU Kam May as an Executive Director is determined by the shareholders of the Company at the annual general meeting. At the annual general meeting of the Company held on 27th May, 2019, it was approved that the Director’s fee for the year ended 31st December, 2019 be determined by the Board. Madam Kimmy LAU Kam May did not receive Director’s fee. Other emoluments paid to Madam Kimmy LAU Kam May for the year was HK\$50,000 per annum with reference to her duties and responsibilities with the Company, the Company’s performance, current market situation and the recommendation made by the remuneration committee of the Company. Save as disclosed above, Madam Kimmy LAU Kam May is and was not connected with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this notice, Madam Kimmy LAU Kam May did not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

## Notice of Annual General Meeting (Continued)

---

(b) Mr. Vincent KWOK Chi Sun

Mr. Vincent KWOK Chi Sun, Independent Non-Executive Director, aged 57, ACA (Aust), CPA (Practising) was appointed to the Board in 1999. He is the Chairman of the Audit Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shun Ho Property Investments Limited and Magnificent Hotel Investments Limited, both of them are subsidiaries of the Company. Shares of both companies are listed on the Stock Exchange. Currently, Mr. Vincent KWOK Chi Sun holds the directorship in another listed public company, namely China Digital Culture (Group) Limited. Mr. Vincent KWOK Chi Sun is a partner of Vincent Kwok & Co. Save as disclosed above, Mr. Vincent KWOK Chi Sun did not hold any directorship in other listed public companies in the last three years and did not hold any other position with the Company and other members of the Group.

There is a service contract between Mr. Vincent KWOK Chi Sun and the Company for the term of one year and he will be subject to the rotational retirement and re-election requirements at the annual general meetings of the Company pursuant to the articles of association of the Company. The Director's fee payable to Mr. Vincent KWOK Chi Sun as independent non-executive director is determined by the shareholders at the annual general meeting. At the annual general meeting of the Company held on 27th May, 2019, it was approved that the Director's fee for the year ended 31st December, 2019 be determined by the Board. The Director's fee paid to Mr. Vincent KWOK Chi Sun for the Company was determined at HK\$54,000 for the year ended 31st December, 2019 with reference to his duties and responsibilities with the Company, the Company's performance and current market situation. As at the date of this notice, Mr. Vincent KWOK Chi Sun did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Vincent KWOK Chi Sun has served as independent non-executive director more than 9 years and his re-election will be subject to a separate resolution to be approved by the shareholders. As independent non-executive director with in-depth understanding of the Company's operations and business and with professional qualifications, Mr. Vincent KWOK Chi Sun has expressed objective views and given independent guidance to the Company over the years,

and he continues demonstrating a firm commitment to his role. The Board considers that the long service of Mr. Vincent KWOK Chi Sun would not affect his exercise of independent judgment and is satisfied that Mr. Vincent KWOK Chi Sun has the required character, integrity and experience to continue fulfilling the role of independent non-executive director. The Board also considers the re-election of Mr. Vincent KWOK Chi Sun as independent non-executive director is in the best interest of the Company and its shareholders as a whole.

The nomination committee of the Company had assessed and reviewed the annual written confirmation of independence of each independent non-executive director for the year ended 31st December, 2019 based on the independence criteria as set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), including Mr. Vincent KWOK Chi Sun. The nomination committee of the Company had considered and nominated the above retiring director to the Board for it to propose to the shareholders for re-election at the Annual General Meeting.

Save as disclosed above, Mr. Vincent KWOK Chi Sun does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders. The Board is also not aware of any circumstance that might influence Mr. Vincent KWOK Chi Sun in exercising independent judgment, and is satisfied that he has the required character, integrity, independence and experience to fulfill the role of an independent non-executive director and he will be able to maintain an independent view of the Group's affairs. The Board considers him to be independent.

The Board is of the view that Mr. Vincent KWOK Chi Sun is beneficial to the Board with diversity of his comprehensive business experience that contributes to invaluable expertise, continuity and stability to the Board and the Company has benefited greatly from his contribution and valuable insights derived from his in-depth knowledge of the Company. The Board believes that he will continue to contribute effectively to the Board.

Save as disclosed above, Madam Kimmy LAU Kam May and Mr. Vincent KWOK Chi Sun have confirmed that there are no other matters relating to their re-election that need to be brought to the attention of the shareholders and there is no other information which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

## Chairman's Statement

---

I present to the shareholders my report on the results and operations of Shun Ho Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2019.

### RESULTS

Profit for the year attributable to owners of the Company for the year ended 31st December, 2019 was HK\$4 million (2018: HK\$310 million), decreased by 99%.

### DIVIDEND

In deciding whether to distribute the final dividend and the amount, the board of Directors (the "Board") has reviewed the Company's adopted dividend policy, the Board considers the current adverse political and COVID-19 crisis may last a long time and may result in prolong significant operating losses of the Group's hotel businesses and inevitable fast drop of rental incomes that strain on the cash flow of the Group, the Board does not recommend the payment of a final dividend for the year ended 31st December, 2019 (2018: Nil).

### BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the annual general meeting to be held on Friday, 22nd May, 2020 ("AGM"), the register of members will be closed from Tuesday, 19th May, 2020 to Friday, 22nd May, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 Monday, 18th May, 2020.

### MANAGEMENT DISCUSSION AND ANALYSIS

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

Profit for the year attributable to owners of the Company for the year ended 31st December, 2019 was HK\$4 million (2018: HK\$310 million), decreased by 99%. It was mainly due to the decrease in hotel profit and reduction of property valuation.

### PERFORMANCE

#### Hotel Business (Magnificent Hotel)

The Group owns 63.44% of Shun Ho Property which holds 71.09% of Magnificent Hotel Investments Limited ("Magnificent Hotel") as its hotel investment subsidiary. The Group and Magnificent Hotel Group presently own 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.

## Chairman's Statement (Continued)

Profit for the year attributable to owners of Magnificent Hotel for the year ended 31st December, 2019 was HK\$32 million (2018: HK\$260 million), decreased by 88%.

	2018	Jan-Jun 2019	Jul-Dec 2019	2019	Change
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revaluation adjustment of investment properties	97,750	-	(28,000)	(28,000)	N/A
Profit from operation of hotels	194,187	63,261	(22,193)	41,068	-79%
- Profit	265,502	101,208	15,522	116,730	
- Depreciation	(71,315)	(37,947)	(37,715)	(75,662)	
Properties rental income	30,424	14,566	17,032	31,598	+4%
Income from securities investments	4,871	3,557	1,464	5,021	+3%
Other income and expenses and gains and losses	10,096	8,804	28,046	36,850	+265%
	337,328	90,188	(3,651)	86,537	-74%
Administrative expenses	(39,516)	(18,698)	(21,706)	(40,404)	+2%
Income tax expense	(37,463)	(13,891)	(411)	(14,302)	-62%
Profit after taxation	260,349	57,599	(25,768)	31,831	-88%

The overall profit for the year decreased by approximately HK\$228 million was mainly due to the decrease in the hotel profit from the second half of the year and revaluation loss.

- For the year ended 31st December, 2019, **Magnificent Hotel 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

	2018	Jan-Jun 2019	Jul-Dec 2019	2019	Change	Reasoning
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Income from operation of hotels	540,040	248,370	138,249	386,619	-28%	Decrease in room rates
Hotel properties rental income	34,762	16,739	19,214	35,953	+3%	Increase in rental income from UK hotel property
Dividend income	4,871	3,557	1,464	5,021	+3%	Increase in dividend received from stock investment
Other income	10,136	8,804	3,730	12,534	+24%	Gain from the disposal of the apartment property at Tai Hang and others
Exchange gain	-	-	24,316	24,316	N/A	Currency exchange gain from purchase of sterling on 9th September, 2019 and exchange gain realised upon the deposit paid for the acquisition of Wood Street Hotel on 17th December, 2019
Total	589,809	277,470	186,973	464,443	-21%	

The total income for the Magnificent Hotel Group decreased by 21% from HK\$590 million to HK\$464 million compared with last year.



37 Wood Street London EC2 UK





37 Wood Street London EC2 UK

## Chairman's Statement *(Continued)*

---

During the year, 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 31st December, 2019, the valuation of the Royal Scot Hotel, London was GBP95,000,000 against initial purchase cost GBP70,000,000.

### **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\$165 million (2018: HK\$161 million).

- The commercial building at 633 King's Road and Shun Ho Tower were almost fully occupied. The fluctuation of office building rental was due to the renewal of leases last year. The decrease in shop rental was due to providing one month free rental period and rental deduction to a tenant in order to maintain long term good relationship.

During the year, the administrative expenses excluding depreciation was HK\$45 million (2018: HK\$46 million), representing cost for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.



**Ramada Hong Kong Grand View**

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/yr
<b>Avg Room Occupancy (%)</b>	100	100	100	100	100	100	100	99	99	99	100	99	100
<b>Avg Room Rate (HK\$)</b>	665	715	669	744	544	520	529	378	330	413	360	327	515

- The 2019 full year **total income** was HK\$65,529,000 (2018: HK\$85,841,000), decreased by 24%.
- The 2019 full year **net operating profit** was HK\$21,705,000 (2018: HK\$41,946,000), decreased by 48%.
- The hotel was re-branded to the 4 star brand of **RAMADA HONG KONG GRAND VIEW** from 3rd May, 2019.



**Ramada Hong Kong Harbour View**

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/yr
<b>Avg Room Occupancy (%)</b>	99	100	99	100	99	100	99	97	98	98	99	97	99
<b>Avg Room Rate (HK\$)</b>	638	720	686	696	556	515	511	353	300	356	319	259	492

- The **total income** was HK\$81,114,000 (2018: HK\$113,247,000), decreased by 28%.
- The **net operating profit** was HK\$28,170,000 (2018: HK\$59,070,000), decreased by 52%.
- Best Western Hotel Harbour View was re-branded to the higher class **RAMADA HONG KONG HARBOUR VIEW** in January 2019.



Best Western Grand Hotel

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/yr
Avg Room Occupancy (%)	99	99	100	99	99	99	98	93	95	94	93	87	96
Avg Room Rate (HK\$)	761	837	752	727	587	562	532	329	266	344	298	249	526

- The **total income** was HK\$77,150,000 (2018: HK\$117,884,000), decreased by 35%.
- The **net operating profit** was HK\$28,015,000 (2018: HK\$67,913,000), decreased by 59%.



**Best Western Plus Hotel Hong Kong**

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/yr
<b>Avg Room Occupancy (%)</b>	100	100	100	100	100	100	100	98	97	94	100	97	99
<b>Avg Room Rate (HK\$)</b>	738	781	765	803	607	583	578	465	335	437	377	310	563

- The **total income** was HK\$70,457,000 (2018: HK\$93,235,000), decreased by 24%.
- The **net operating profit** was HK\$26,158,000 (2018: HK\$48,385,000), decreased by 46%.



Best Western Hotel Causeway Bay

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/yr
Avg Room Occupancy (%)	100	100	100	100	100	100	100	97	97	96	99	94	98
Avg Room Rate (HK\$)	697	760	731	714	548	501	490	330	304	403	337	247	506

- The **total income** was HK\$48,350,000 (2018: HK\$72,108,000), decreased by 33%.
- The **net operating profit** was HK\$13,171,000 (2018: HK\$36,083,000), decreased by 63%.
- The renovation of external wall of the hotel with modern LED signages was carried in 2019.



**Best Western Plus Hotel Kowloon**

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/yr
<b>Avg Room Occupancy (%)</b>	99	99	100	100	100	99	100	100	100	99	95	95	99
<b>Avg Room Rate (HK\$)</b>	859	934	825	805	683	636	585	408	350	394	318	284	590

- The **total income** was HK\$54,708,000 (2018: HK\$69,846,000), decreased by 22%.
- The **net operating profit** was HK\$16,377,000 (2018: HK\$32,409,000), decreased by 49%.





**Grand City Hotel**

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/yr
<b>Avg Room Occupancy (%)</b>	99	99	99	99	99	99	99	98	99	99	99	98	99
<b>Avg Room Rate (HK\$)</b>	667	725	694	686	554	480	508	366	279	340	314	255	488

- The **total income** was HK\$38,867,000 (2018: HK\$56,354,000), decreased by 31%.
- The **net operating profit** was HK\$9,634,000 (2018: HK\$27,791,000), decreased by 65%.



Magnificent International Hotel, Shanghai

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/yr
<b>Avg Room Occupancy (%)</b>	57	60	69	85	87	77	86	86	87	85	78	75	78
<b>Avg Room Rate (HK\$)</b>	234	283	326	329	322	313	345	361	292	350	330	283	318

- The **total income** was HK\$18,079,000 (2018: HK\$19,969,000), decreased by 9%.
- The **net operating profit** was HK\$983,000 (2018: HK\$5,875,000), decreased by 83%.



**Royal Scot Hotel, London**

- The **total rental income** in 2019 was GBP3,351,000, equivalent to HK\$33,846,000 (2018: GBP3,137,487, equivalent to HK\$32,159,000).
- As at 31st December, 2019, an independent third party valuation was GBP95,000,000 (Acquisition cost GBP70,000,000).



**633 King's Road**

The total rental income during the year was HK\$105,219,000.



**Shun Ho Tower**

The total rental income during the year was HK\$23,690,000.

### LIQUIDITY

- At 31st December, 2019, the overall debts of the Group including Shun Ho Property and Magnificent Hotel and their subsidiaries were HK\$915 million (2018: HK\$1,110 million). The bank loan decreased due to repayment of bank borrowings during the year. The gearing ratio of the Group in terms of overall debts against funds employed were 11% before revaluation of all hotel properties (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 31st December, 2019, the Group's staffing number was 698 (2018: 753), decreased by 7.3%. Remuneration and benefit were set with reference to the market.

- **BUSINESS HIGHLIGHT**

Best Western Hotel Harbour View and Grand View Hotel were re-branded to a higher class **RAMADA HONG KONG HARBOUR VIEW** and **RAMADA HONG KONG GRAND VIEW** in 2019 respectively.

As at 31st December, 2019, the valuation of Royal Scot Hotel, London was GBP95,000,000 against initial purchase cost GBP70,000,000.

The Group acquired Wood Street Police Headquarter, 37 Wood Street London EC2 UK (the "Property") for a consideration of GBP40,000,000 (equivalent to approximately HK\$404,540,000) on 29th January, 2020. The total gross internal area of the Property is 117,472 sq. ft. (10,913.3 sq. m.). The Property is 0.18 hectare (approximately 20,000 sq. ft.) island site. The Property is purchased on a new long lease of 151 years commencing from the completion at a peppercorn rent.

The Property is located in the core of the City of London, approximately 350 metres north west of the Bank of England. The Property occupies a prominent corner position at the junction of Wood Street and Love Lane. The Property is located within 6 minutes walk of Liverpool Street Station and Moorgate Crossrail Station.

The Property is the Grade II\* listed building. It comprises two primary forms, a four storey building built around a large courtyard, with a 12 storey tower to the north east corner of the site. Constructed between 1963-66 by McMorran and Whitby. It is a striking example of neo-classical architecture. The Property was purpose built for the City of London Police Headquarter.

Given the vibrant economic importance of center district, the City of London, UK and the development prospect of the Property, the Board believes that the Acquisition provides an excellent investment opportunity for the Magnificent Hotel group (a member of Shun Ho Property group and the Group) to expand and diversify into property investments in the City of London, one of the world's biggest commercial and tourist center. The Board is also of the view that the acquisition will allow the Group to strategically increase its investment in London, UK.

The purchase price of GBP40,000,000 (equivalent to approximately HK\$404,540,000) represents a good opportunity for the Group to acquire a sizeable property in the Central London location at a relative low price at GBP341 (equivalent to approximately HK\$3,500) per sq. ft. gross based on 117,472 sq. ft. total gross internal area. The acquisition also allows the Group to enter into the London commercial and tourism center and to benefit from considerable refurbishment potential and its future incomes.

Planning consent approval will be applied for any change of use from existing sui generis use to office, retail use or hotel use. The excellent location of the Property being in the center of the City of London is ideal for conversion to a grade A office, and retail and food/beverages mix uses. However, the management considers even more excellent plan to renovate this high profile well located heritage building to become a deluxe heritage hotel of about 200 guest rooms with restaurant, bar, ballroom and spa with gross internal area about 117,472 sq. ft. The management is proud of having this opportunity to renovate this deluxe and heritage building in the center of the City of London.

## Chairman's Statement *(Continued)*

---

### LOOKING AHEAD

Hong Kong has been suffering from social disorders and coronavirus in the last several months which has stopped the International/the PRC tourism visiting. Such unforeseeable circumstances have adversely affected the local economy, hospitality, retail and hotel market of Hong Kong which most establishments are either closed or operating on low occupancy with significant losses.

It is the management's view that the local social disorders are not easily resolvable and are likely to continue for sometimes that seriously affect the PRC and international visitors.

The coronavirus may also take more months to die out for recovery of international travel and leisure tourism.

The combination of lengthy damaged economy of Hong Kong, the PRC and global, continuous coronavirus, continuous social disorders and trade wars, the management envisage the hotel operations will be lost making for sometimes. The management will continue to try to maintain high hotel occupancies to compensate hotel operating costs.

Most of the tenants at the Group's King Road office building and Shun Ho Tower are multinational trading companies and because of the US/China trade war, retail closures due to the street violence and the nearly collapsed economies, those trading companies tenants are experiencing difficulties. Thus, it is expected the vacancies of the buildings may increase fast and quickly.

### 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 year and up to the date of this report as required under the Listing Rules.

By Order of the Board

**William Cheng Kai Man**  
*Chairman*

Hong Kong, 30th March, 2020

## Directors' Profiles

---

**Mr. William CHENG Kai Man, Executive Director**

Aged 58. Appointed to the Board in 1990. He is also a director of Shun Ho Property Investments Limited ("Shun Ho Property") and Magnificent Hotel Investments Limited ("Magnificent Hotel"), both of them are subsidiaries of the Company. He has over 30 years' experience in construction, property investment and development and has over 20 years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering and a master's degree in structural engineering. He is a director of Trillion Resources Limited and Mercury Fast Limited, they are the Company's substantial shareholders.

**Mr. Albert HUI Wing Ho, Executive Director**

Aged 57. Appointed to the Board in 1988. He is also a director of Shun Ho Property and Magnificent Hotel. He has over 30 years' experience in construction, property investment and development and has over 20 years' experience in hotel management. He graduated in the U.K. and holds a bachelor's degree in civil engineering.

**Madam Kimmy LAU Kam May, Executive Director**

Aged 52. FCCA, CPA. Appointed to the Board in 2017. She graduated from the City University of Hong Kong and holds a bachelor's degree in accountancy. She is also a director of Shun Ho Property and Magnificent Hotel. She has extensive experience in accounting, auditing and financial management. She has over 10 years' experience in hotel management.

**Madam Jennie WONG Kwai Fong, Executive Director**

Aged 57. FCIS, FCS PE. Appointed to the Board in 2018. She is also a director of Shun Ho Property and Magnificent Hotel. She has over 30 years of experience in the company secretarial works.

**Madam Mabel LUI FUNG Mei Yee, Non-Executive Director**

Aged 68. Solicitor and Notary Public. Appointed to the Board in 1999. She is also a non-executive director of Shun Ho Property and Magnificent Hotel. She is a senior executive consultant and head of Greater China Commercial Practice of Withers.

**Mr. Vincent KWOK Chi Sun, Independent Non-Executive Director**

Aged 57. ACA (Aust), CPA (Practising). Appointed to the Board in 1999. He is also an independent non-executive director of Shun Ho Property, Magnificent Hotel and China Digital Culture (Group) Limited. He is a partner of Vincent Kwok & Co.

**Mr. CHAN Kim Fai, Independent Non-Executive Director**

Aged 60. FCCA, CPA (Practising). Appointed to the Board in 2004. He is also an independent non-executive director of Shun Ho Property, Magnificent Hotel and EGL Holdings Company Limited. He holds a bachelor's degree in science from The Chinese University of Hong Kong. He has extensive experience in accounting, corporate finance and financial management. He is a partner of Ivan Chan & Co, CPA.

**Mr. LAM Kwai Cheung, Independent Non-Executive Director**

Aged 59. FCCA, CPA (Practising). Appointed to the Board in 2017. He is also an independent non-executive director of Shun Ho Property and Magnificent Hotel. He has extensive experience in accounting, auditing and financial management. He is the practitioner of Terry Lam & Co., CPA.



## Corporate Governance Report

---

**The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control and transparency and accountability to all shareholders.**

### CORPORATE GOVERNANCE

The board of Directors (the “Board”) of the Company has approved the adoption of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as our corporate governance code.

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

During the year ended 31st December, 2019, the Company has complied with all the code provisions of Corporate Governance Code set out in Appendix 14 of the Listing Rules 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. It is also for significant cost saving for Mr. Cheng to perform Chief Executive Officer while being Chairman of the Board, otherwise, the Company may have to endure a high market price for employing an additional well performing Chief Executive Officer.

*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 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 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 year.

## Corporate Governance Report (Continued)

### BOARD COMPOSITION AND BOARD PRACTICES

The Board of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

The Listing Rules require every listed issuer to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. As at 31st December, 2019, the Board of the Company comprises a total of eight Directors, with four Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. All the Independent Non-Executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.

As at the date of this report, the Board's composition under major diversified perspectives was summarized as follows:

Gender	Male		Female						
Ethnicity	Chinese								
Age Group	50-59			60-69					
Year of Service	<10		>10						
	0	1	2	3	4	5	6	7	8
	Number of Directors								

None of the Directors has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

All Directors (including Executive or Non-Executive Directors) are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association. Review will be made regularly of the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out on page 23.

The positions of the Chairman and the Chief Executive Officer are not held by separate individuals pursuant to the reasons given above.

The Board is responsible for establishing the strategic direction of the Group; setting objectives and business development plans; monitoring the performance of the senior management and assuming responsibility for corporate governance.

The management, under the leadership of the Chief Executive Officer, is responsible for implementing the strategies and plans established by the Board; and submitting reports on the Company's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities.

All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group.

The Board is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

## Corporate Governance Report (Continued)

The Board meets regularly and held four meetings in 2019 and the attendance of each director is set out below:

	Number of Board meetings held and attended in 2019	Attendance rate
<b>Executive Directors</b>		
William Cheng Kai Man (Chairman)	4/4	100%
Albert Hui Wing Ho	4/4	100%
Kimmy Lau Kam May	4/4	100%
Jennie Wong Kwai Fong	4/4	100%
<b>Non-Executive Director</b>		
Mabel Lui Fung Mei Yee	4/4	100%
<b>Independent Non-Executive Directors</b>		
Vincent Kwok Chi Sun	4/4	100%
Chan Kim Fai	4/4	100%
Lam Kwai Cheung	4/4	100%

Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association.

Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary or her assistant and Chief Financial Officer shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary or her assistant shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings.

Each newly appointed Director is provided with a package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Orientation meeting with newly appointed Director will be held for briefing on business and operations of the Company. Updates are provided to Directors when necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

## DIRECTORS' TRAINING

With effect from 1st April, 2012, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by Directors in 2019 is set out below:

### Type of Continuous Professional Development

Name of Directors	Attending seminar on regulatory development and/or directors' duties	Reading regulatory updates or information relevant to the Company or its business
William Cheng Kai Man	√	√
Albert Hui Wing Ho	√	√
Kimmy Lau Kam May	√	√
Jennie Wong Kwai Fong	√	√
Mabel Lui Fung Mei Yee	√	√
Vincent Kwok Chi Sun	√	√
Chan Kim Fai	√	√
Lam Kwai Cheung	√	√

## ATTENDANCE AT GENERAL MEETING

	Annual General Meeting (held on 27th May, 2019)
<b>Executive Directors</b>	
William Cheng Kai Man	√
Albert Hui Wing Ho	√
Kimmy Lau Kam May	√
Jennie Wong Kwai Fong	√
<b>Non-Executive Director</b>	
Mabel Lui Fung Mei Yee	–
<b>Independent Non-Executive Directors</b>	
Vincent Kwok Chi Sun	√
Chan Kim Fai	√
Lam Kwai Cheung	√

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Accounts Department which is under the supervision of the Chief Financial Officer of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 41 to 44.

During the year, the emoluments paid to the senior management, i.e. Executive Directors, of the Company fell within the following bands:

Emolument band (HK\$)	Number of individuals
1 – 5,000,000	3
10,000,001 – 15,000,000	1
	<hr/>
	4

### RISK MANAGEMENT AND INTERNAL CONTROL

During the reporting period, the Board is responsible for evaluating and determining the nature and extent of the risks. The Board has overall responsibilities for maintaining sound and effective risk management and internal control system of the Group. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provides a confirmation to the board on the effectiveness of these systems. This evaluation process will be carried out on an ongoing basis.

The Board has conducted a review of the effectiveness of the system of risk management and internal control of the Group and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions and their training programmes and budget on an annual basis. The Board is of the view that the Group's system of risk management and internal control in place for the year under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, customers and employees, and the Group's assets.

In alignment with the amendments to the corporate governance code, the terms of reference of the Audit Committee have been revised to include the responsibility of reviewing the risk management and internal control systems. The Audit Committee will then report to the Board after due review of the management's confirmation on the effectiveness of the Group's risk management and internal control systems. The Board will review the adequacy and effectiveness of the Group's risk management through the Audit Committee. The Board rely on the Audit Committee which in turn rely on Risk Management Committee and Internal Audit Team.

The Company established its Risk Management Committee on 2nd January, 2019. The Risk Management Committee comprises three executive directors expert in each area of business risks, financial risks and operation risks. The Risk Management Committee comprises Mr. William Cheng Kai Man (Chairman of the Risk Management Committee), Madam Kimmy Lau Kam May and Mr. Albert Hui Wing Ho. Mr. Cheng is responsible for business risks, Madam Lau is also our Chief Financial Officer responsible for financial risks and Mr. Hui is responsible for property assets management risks. They take daily, weekly and monthly check in their specific area.

The Company established its Internal Audit Team on 2nd January, 2019. The Internal Audit Team comprises Mr. William Cheng Kai Man (Chairman of the Internal Audit Team), Madam Kimmy Lau Kam May (Financial Member of the Internal Audit Team) and Madam Ng Yuet Ying (Executive Member of the Internal Audit Team). Mr. Cheng is responsible for final review and approval, Madam Lau is responsible for financial area and Madam Ng is responsible for execution area. Monthly Reports from execution member of detail of all expenditures and proposed acquisitions were reported to the Internal Audit Team. Financial members carefully analysis and scrutinize the reports and then recommend the expenditures to the Chairman. After the Chairman's review and approval, the Chairman pass down to the executive member for execution. They take daily, weekly and monthly check in internal audit and internal control systems.

The Internal Audit Team conducts independent reviews of the adequacy and effectiveness of the Group's internal audit and internal control systems associated with the principal operations and reports the review results to the Board through the Audit Committee. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and internal audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

The Group's system of risk management and internal control is designed to assist the Group to achieve business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

In order to identify, evaluate and manage the significant risks including operational (hotel operations, hotel management and property leasing) and functional (finance, human resources, IT, secretarial and corporate communications), the risk management of the Group combines a top-down strategic view with a bottom-up operational process. The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. On the other hand, the bottom up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring all significant risks to be adequately considered by the Board. The Board assesses effectiveness of existing controls, provides treatment plans where required, and monitors risk mitigating activities. Risk management of the Group has to be proactive to ensure that significant risks are identified, assessed by considering the impacts and likelihoods of their occurrence, and effectively managed by identifying suitable controls and counter-measures, and assessing the cost effectiveness of the mitigating actions proposed.

A summary on significant risks of the Group together with the relevant internal control measures are listed below:

### a) Compliance Control

As a listed Company, the Group engaged in the properties leasing hotel operations and hotel management, the Group is exposed to and subject to extensive government policies and regulations of Hong Kong and mainland China, these include the Hong Kong Companies Ordinance, Hong Kong Financial Reporting Standards, the Listing Rules in Hong Kong, Hotel and Guesthouse Accommodation Ordinance and Business Registration Ordinance.

The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations by experienced and professional staff as well as by consultancy with external experts. All the Group's operating hotels have already obtained the valid hotel licences.

### b) Business Risk

The Group is dependent on the regional economic conditions in which the Group is operated. The risk of adverse economic conditions is managed by ensuring proper monitoring of the business performance, and constant assessment of economic conditions and the appropriateness of the prevailing investment and business strategy.

1. The US-China trade war may affect the financial position of our leasing tenants.
2. The travellers come to Hong Kong or not would be affected by the environmental risks includes catastrophe, such as SARS, COVID-19 and typhoon. The combination of social unrests, street violence and coronavirus and closures of countries borders have stopped visitors coming to Hong Kong. Most hotels in Hong Kong suffer more than 90% drop in revenue.
3. Over 70% travellers came from the PRC, the political and economical stability of the PRC affects the travellers visiting Hong Kong. The street violence and coronavirus have reduced the PRC visitors to Hong Kong by 90%. Such adverse business environment is expected to continue for sometimes.

### c) Market Risk

The Group operates in areas that are highly competitive, and failure to compete effectively in terms of price, product quality and specification or levels of service can have an adverse impact on the Group's results. The market demand and supply condition is also one of the significant factors impacting the Group's performance. The Board had reviewed the nature and extent of the significant risks faced by the Group, including the risks of the number of overnight visitors arriving Hong Kong, supply of new hotel rooms, competing room rate and occupancy, as well as competition for experienced and skilled hotel personnel and the Group's ability to respond to its changes.

Because of many adverse factors such as street violence, coronavirus, large drop of inbound visitors, the management has recognized change of market environment and emphasized effort to maintain high hotel occupancies by pursuing the local accommodation market.

The Group manages market risks by keeping track of the hotel market condition, strengthening its brand names, product quality and setting strategies commensurate with the market demand. Best Western Hotel Harbour View was re-branded to a higher class **RAMADA HONG KONG HARBOUR VIEW** in January 2019. Grand View Hotel was re-branded to **RAMADA HONG KONG GRAND VIEW** in May 2019. Best Western Grand Hotel will also be re-branded to **RAMADA HONG KONG GRAND HOTEL** in August 2020. The Group continue to monitor the supply of new offices which would affect the rental market.

**d) Financial Risk**

An effective and sound financial management system is essential to the Group’s operations. The Group’s finance team is embedded within the Group to provide financial management support by monitoring the financial market conditions and setting an appropriate financial strategy. The Group maintains an open and proactive relationship with the banking community, arranging different terms of loan facilities from different sources with different tenures and ensures continuous assessment of counterparty risks.

The street violence and coronavirus crisis have resulted in most fluctuating global and local financial markets. The Group is not exposed to significant stock market risks.

In 2019, the Board was aware that the interest raising trend may result in higher interest cost which may affect our bottom line performance, therefore, the Board has taken significant steps to reduce our borrowing and constantly monitor our cash flow requirements.

**e) Operational Risk**

In order to ensure proper operation of our hotels and leasing properties, electricity and mechanical engineering systems must always be monitored to make sure they are functional. Therefore, our management provides continuing internal training and recruitment. In order to avoid the risk of rental loss, the Group closely monitors the rental receivable.

The management is well aware of the higher risk of property securities and virus infections during the crisis of street violence and coronavirus, every effort was made to safeguard the properties and maintain sanitatised environment for hotel operations.

The Board assesses the likely impact of any unexpected and significant event that may impact the price of the Company’s shares or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

**AUDITOR’S REMUNERATION**

For the year ended 31st December, 2019, the Auditor of the Company received approximately HK\$4.2 million for audit service and HK\$0.3 million for tax and consultancy services.

**AUDIT COMMITTEE**

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must

be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee (“Audit Committee”) in 1995 with reference to “A Guide for the Formation of an Audit Committee” issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the Corporate Governance Code, the terms of reference of the Audit Committee were revised on 20th April, 2005, 14th April, 2009, 28th March, 2012 and 1st January, 2016 in terms substantially the same as the provisions set out in the Corporate Governance Code. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The principal duties of the Audit Committee include the review of the Group’s financial controls and internal control and risk management, review of the Group’s financial information (half-yearly and annual results) and review of the relationship with the Auditor of the Company. Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee held three meetings in 2019, the attendance of each member is set out below:

	<b>Number of Audit Committee meetings held and attended in 2019</b>	<b>Attendance rate</b>
Vincent Kwok Chi Sun	3/3	100%
Chan Kim Fai	3/3	100%
Lam Kwai Cheung	3/3	100%

The scope of work done by the Audit Committee during the year under review includes the following:

- reviewed and recommended the Board to approve the audit fee proposal for year 2019;
- reviewed the interim report and the interim results announcement for the six months ended 30th June, 2019;
- reviewed the audit plan for year 2019 to assess the general scope of audit work; and
- reviewed the audited accounts and final results announcement for year 2018.

The existing Audit Committee of the Company comprises three Independent Non-Executive Directors, namely, Mr. Vincent Kwok Chi Sun (Chairman of the Audit Committee), Mr. Chan Kim Fai and Mr. Lam Kwai Cheung.

The Group’s annual report for the year ended 31st December, 2019 has been reviewed by the Audit Committee.

**REMUNERATION COMMITTEE**

According to the Code on Corporate Governance Practices, the Company established its remuneration committee (“Remuneration Committee”) on 20th April, 2005. The terms of reference of the Remuneration Committee were revised on 28th March, 2012 in terms substantially the same as the provisions set out in the Corporate Governance Code and are available on the websites of the Company and the Stock Exchange. The existing Remuneration Committee comprises Mr. Vincent Kwok Chi Sun (Chairman of the Remuneration Committee, an Independent Non-Executive Director), Mr. William Cheng Kai Man (Executive Director) and Mr. Chan Kim Fai (an Independent Non-Executive Director). The Remuneration Committee held one meeting in 2019, the attendance of each member is set out below:

	<b>Number of Remuneration Committee meeting held and attended in 2019</b>	<b>Attendance rate</b>
Vincent Kwok Chi Sun	1/1	100%
William Cheng Kai Man	1/1	100%
Chan Kim Fai	1/1	100%

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about their proposals relating to remuneration of Executive Directors and have access to professional advice if considered necessary.

During the year, the Remuneration Committee met to review the 2019 remuneration and made comparison to other listed companies and noted that the 2019 remuneration are lesser than the comparable remuneration in the market.

**NOMINATION COMMITTEE**

On 28th March, 2012, the Board resolved to establish a Nomination Committee. The committee members comprise Mr. William Cheng Kai Man (Chairman of the Committee, Executive Director), Mr. Chan Kim Fai (an Independent Non-Executive Director) and Mr. Lam Kwai Cheung (an Independent Non-Executive Director), appointed on 16th June, 2017. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the Corporate Governance Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate’s qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-Executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. Before its establishment, the role and function of the Nomination Committee was taken up by the Board. The Nomination Committee held one meeting in 2019 to review the structure, size and composition of the Board and assess the independence of Independent Non-Executive Directors, the attendance of each member is set out below.

	<b>Number of Nomination Committee meeting held and attended in 2019</b>	<b>Attendance rate</b>
William Cheng Kai Man	1/1	100%
Chan Kim Fai	1/1	100%
Lam Kwai Cheung	1/1	100%

The Company adopted a policy concerning diversity of board members on 30th August, 2013. Selection of candidates of board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

### NOMINATION POLICY

#### Objective

The nomination policy was approved and adopted by the Board on 27th December, 2018. The Nomination Committee shall consider the following criteria, procedures and process in evaluating and selecting candidates for directorship. These provisions constitute the “Nomination Policy” of the Company.

#### Nomination Criteria

- (a) Character and integrity;
- (b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategy;
- (c) Willingness to devote adequate time to discharge duties as a member of the Board;
- (d) Board diversity policy and any measurable objectives adopted for achieving diversity on the Board; and
- (e) Such other perspectives appropriate to the Company’s business or as suggested by the Board.

#### Nomination Procedures and Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- (a) The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and put forward the nominations of candidates from Board members, if any, for consideration by the Nomination Committee.
- (b) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third party reference checks;
- (c) The proposed candidates will be asked to submit the necessary personal information and biography for the Nomination Committee’s consideration. The Nomination Committee may request the candidate(s) to provide additional information and documents, if considered necessary;

- (d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment;
- (f) The Board may arrange for the selected candidate to be interviewed by the members of the Board and the Board will thereafter deliberate and decide the appointment as the case may be;
- (g) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting; and
- (h) All appointment of Directors will be confirmed by the filing of the prescribed form with the Companies Registry of Hong Kong and updating (and, if necessary, filing) of the Register of Directors of the Company.

#### Decision by the Board

After the Nomination Committee makes its recommendations to the Board, the Board will have final authority on determining the selection of those director candidates for nomination to the Board.

#### Responsibilities

- (a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
- (b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) To assess the independence of independent non-executive directors; and
- (d) To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.



### COMPANY SECRETARY

Madam Koo Ching Fan is an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a fellow member of the Association of Chartered Certified Accountants. She is also a holder of the Practitioner's Endorsement issued by the Hong Kong Institute of Chartered Secretaries. Although the Company Secretary is not a full time employee of the Company, she reports to the Board and is responsible for advising the Board on governance matters. The primary contact person of the Company with the Company Secretary is Madam Jennie Wong Kwai Fong, the Executive Director of the Company. During 2019, Madam Koo has confirmed that she has taken no less than 15 hours of relevant professional training.

### CONSTITUTIONAL DOCUMENTS

During the year, there is no significant change in the Company's constitutional documents.

### SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under Paragraph O of the Corporate Governance Code.

#### Convening of General Meeting on Request

Shareholder(s) may request the Directors to call a general meeting pursuant to Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO").

In accordance with Section 566 of the CO, the Directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong for the attention of the Board) or in electronic form (by email: shunho@netvigator.com); and must be authenticated by the person or persons making it. In accordance with Section 567 of the CO, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the CO and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

#### Putting Forward Proposals at Annual General Meeting

To put forward a resolution at an annual general meeting, shareholders are requested to follow the requirements and procedures set out in Sections 615 and 616 of the CO.

Section 615 of the CO provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong for the attention of the Board) or in electronic form (by email: shunho@netvigator.com); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the CO provides that the Company that is required under Section 615 of the CO to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

Pursuant to Article 120 of the Articles of Association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

### **INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS**

The Company establishes different communication channels with shareholders and investors: (i) printed copies of corporate communication, (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (iii) briefing meetings with analysts from investment sectors are set up from time to time on updated performance information of the Group, and (iv) the Company's Registrars serve the shareholders respecting all share registration matters.

Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the Company at its registered office.

### **DIVIDEND PAYMENT POLICY**

The Board has approved and adopted a dividend payment policy on 8th March, 2019 (the "Dividend Payment Policy"). Under the Dividend Payment Policy, the Company may declare and pay dividends to the shareholders of the Company (the "Shareholders").

According to the Dividend Payment Policy, the declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the articles of association of the Company (the "Articles of Association"). In accordance with the Articles of Association, the Company may by ordinary resolution declare dividends according to the respective rights of the Shareholders, but no dividend shall exceed the amount recommended by the Board and be payable out of the profits of the Company. Moreover, in addition to cash, the dividends may be paid up in the form of the Company's shares, by the distribution of specific assets of any kind or by distribution of any form.

In deciding whether to propose a dividend and in determining the dividend amount, the Company shall take into account, inter alia:

- i. the Group's operating conditions and market environment;
- ii. the Group's general financial position;
- iii. the actual and future operating and liquidity capital of the Group;
- iv. after-tax profit and distributable profits of the Company and the Group;
- v. the Group's future acquisition capital requirement and expected working capital requirements;
- vi. the continuity and sustainability of any dividend distribution; and
- vii. any other factors that the Board deems appropriate.

The Board will review the Dividend Payment Policy from time to time and reserves its right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Payment Policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

## Report of the Directors

---

The Board presents their annual report and the audited consolidated financial statements for the year ended 31st December, 2019.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the Company's principal subsidiaries are set out in note 33 to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2019 are set out in the consolidated statement of profit or loss on page 45.

### BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's prospects are provided in the Chairman's Statement on pages 5 to 22 of the Annual Report. Description of principal risks and uncertainties that the Group is facing is provided in this Report of the Directors on page 40 of the Annual Report while the financial risk management objectives and policies of the Group can be found in notes 35 and 36 to the consolidated financial statements. An analysis of the Group's performance during the year using key performance indicators is provided in the Chairman's Statement on pages 5 to 22 of the Annual Report and Financial Summary on pages 118 to 119 of the Annual Report. In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders and environmental policies are contained on page 39 of the Annual Report.

### DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31st December, 2019 (2018: Nil).

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the consolidated financial statements. There were no movements in the share capital of the Company during the year.

### RESERVES

Movements during the year in the reserves of the Group are set out on page 49 and those of the Company are set out in note 32 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31st December, 2019 represented its retained profits of HK\$208,692,000 (2018: HK\$194,845,000).

### PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

### INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2019. The revaluation gave rise to a decrease of approximately HK\$106 million which has been dealt with in the consolidated statement of profit or loss.

Details of movements during the year in the investment properties of the Group are set out in note 17 to the consolidated financial statements.

### PROPERTIES UNDER DEVELOPMENT

During the year ended 31st December, 2018, development expenditure of approximately HK\$1 million was incurred on the properties under development.

Details of movements during the year ended 31st December, 2018 in the properties under development of the Group are set out in note 18 to the consolidated financial statements.

### BORROWINGS

An analysis of the repayment schedule of bank loans is set out in note 23 to the consolidated financial statements.

### MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2019 are set out on page 120 of the Annual Report.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Report of the Directors (Continued)

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### Executive Directors

Mr. William Cheng Kai Man  
Mr. Albert Hui Wing Ho  
Madam Kimmy Lau Kam May  
Madam Jennie Wong Kwai Fong

#### Non-Executive Directors

Madam Mabel Lui Fung Mei Yee  
Mr. Vincent Kwok Chi Sun\*  
Mr. Chan Kim Fai\*  
Mr. Lam Kwai Cheung\*

\* independent non-executive directors

In accordance with the provisions of the Company's Articles of Association, Madam Jennie Wong Kwai Fong, Madam Kimmy Lau Kam May and Mr. Vincent Kwok Chi Sun shall retire at the forthcoming annual general meeting and Madam Kimmy Lau Kam May and Mr. Vincent Kwok Chi Sun, being eligible, offer themselves for re-election.

The term of office for each of the non-executive directors is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received annual confirmations from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

### DIRECTORS OF SUBSIDIARIES

The persons who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are Mr. William Cheng Kai Man, Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May and Madam Jennie Wong Kwai Fong.

### DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 31st December, 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	Beneficial owner and interest of controlled corporations	Personal and corporate	216,766,825 (Note)	71.22
Jennie Wong Kwai Fong	Beneficial owner	Personal	8,100	0.00

Note:

Trillion Resources Limited ("Trillion Resources") beneficially owned 154,006,125 shares in the Company (the "Shares") (50.60%) and Mercury Fast Limited beneficially owned 62,602,700 Shares (20.60%). Mr. William Cheng Kai Man beneficially owned 158,000 Shares. Mr. William Cheng Kai Man had controlling interests in the above-mentioned companies. All the above interests in the Shares are long position.

#### Associated Corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of Shares/ Underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Property Investments Limited ("Shun Ho Property") (Note 1)	Interest of controlled corporations	Corporate	367,779,999	63.44
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 (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

## Report of the Directors (Continued)

### 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.

### Share option scheme

An employee share option scheme of Magnificent Hotel, an indirect subsidiary of the Company was adopted at the extraordinary general meeting held on 14th November, 2013 (the "Share Option Scheme") and was amended at the annual general meeting held on 18th June, 2014. Pursuant to the Share Option Scheme, the Board of Magnificent Hotel may, at its discretion, offer to grant options to subscribe for shares of Magnificent Hotel ("Magnificent Hotel Shares") based on the terms and conditions set out therein to any director (including Executive, Non-Executive Directors and Independent Non-Executive Directors) and any employee of Magnificent Hotel and its subsidiaries ("Magnificent Hotel Group") whom the Board of Magnificent Hotel considers, in its sole discretion, have contributed or will contribute to the Magnificent Hotel Group (the "Participant(s)"). The purpose of the Share Option Scheme is to reward hotel senior management according to their performance in relation to the growth of hotel revenue. **No share option has been granted since the adoption of the Share Option Scheme in 2013 and no new share options are anticipated to be granted in 2020.**

Summary of the Share Option Scheme is as below:

#### (i) Purpose

The Share Option Scheme is a share incentive scheme and is established to reward Participants who have contributed to the Magnificent Hotel Group and to encourage Participants to work towards enhancing the value of Magnificent Hotel and its shares for the benefit of Magnificent Hotel and its shareholders as a whole.

#### (ii) Maximum number of shares

##### (1) 5% limit

The maximum number of Magnificent Hotel Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 5% of the Magnificent Hotel Shares in issue on the date of the passing of the ordinary resolution on 18th June, 2014, being 447,352,566 Magnificent Hotel Shares.

#### (2) Individual limit

The total number of Magnificent Hotel Shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of Magnificent Hotel (including options exercised and outstanding) to each Participant in any 12 month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the approval of shareholders of Magnificent Hotel in a general meeting of Magnificent Hotel with such Participants and their associates (as defined in the Listing Rules) abstaining from voting, and/or other requirements prescribed under the Listing Rules from time to time.

Any grant of share options to a director, chief executive or substantial shareholder of Magnificent Hotel or any of their respective associates is required to be approved by the independent non-executive directors of Magnificent Hotel. If the Board of Magnificent Hotel proposes to grant share options to a substantial shareholder or any independent non-executive director or their respective associates which will result in the number of Magnificent Hotel Shares issued and to be issued upon exercise of share options granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules, of the Magnificent Hotel Shares in issue; and (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Magnificent Hotel Shares at the date of each grant, such further grant of share options will be subject to the approval of shareholders of Magnificent Hotel in general meeting of Magnificent Hotel at which all connected persons of Magnificent Hotel shall abstain from voting, and/or other requirements prescribed under the Listing Rules from time to time.

(3) *Maximum limit of 30%*

The Magnificent Hotel Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of Magnificent Hotel at any time shall not exceed 30% of the Magnificent Hotel Shares in issue from time to time.

(iii) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantees at the time of making an offer which shall not expire later than 10 years from the grant date.

(iv) *Amount payable upon acceptance of option*

Upon acceptance of an option, the grantee shall pay HK\$10.00 to Magnificent Hotel by way of consideration for the grant.

(v) *The exercise price*

The subscription price of a Magnificent Hotel Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board of Magnificent Hotel in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the Magnificent Hotel Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; and (ii) the average of the official closing prices of the Magnificent Hotel Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

(vi) *The remaining life of the Share Option Scheme*

Subject to earlier termination by Magnificent Hotel in general meeting or by the Board of Magnificent Hotel, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(vii) *Shares to be issued under the Share Option Scheme*

As at the date of this report, the total number of Magnificent Hotel Shares to be issuable under the Share Option Scheme is 447,352,566 Magnificent Hotel Shares, representing 5% of the total number of Magnificent Hotel Shares in issue of Magnificent Hotel.

**No share option has been granted under the Share Option Scheme and no other share option scheme was adopted by the Company and its subsidiaries as at 31st December, 2019.**

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 31st December, 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 year.

### **EQUITY-LINKED AGREEMENTS**

Save as disclosed above, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

### **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Other than as disclosed above, at no time during the year was the Company, its holding company, any of its fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS**

During the year, the Group had transactions with certain related parties, details of which are set out in notes 8 and 31 to the consolidated financial statements.

## Report of the Directors (Continued)

In addition, the Company and its subsidiaries had the following transactions with Shun Ho Property and Magnificent Hotel group:

- (a) During the year, the Company made unsecured advances to Shun Ho Property and its subsidiary. As at 31st December, 2019, the advance amounted to HK\$5,843,000 is interest-free and repayable on 26th June, 2020.
- (b) During the year, administrative expenses amounted to HK\$150,000 were payable by the Company to Magnificent Hotel for services provided by Magnificent Hotel on a cost reimbursement basis.

Further, Shun Ho Property and its subsidiaries had the following transactions with Magnificent Hotel group:

- (a) The properties owned by subsidiaries of Shun Ho Property was let to Magnificent Hotel. The net rental received from Magnificent Hotel for the year, which was mutually agreed, amounted to HK\$2,321,000.
- (b) During the year, Shun Ho Property and its subsidiaries made unsecured advances to Magnificent Hotel and its subsidiary. As at 31st December, 2019, the advance amounted to HK\$22,720,000 carried fixed interests at 2% per annum and repayable on demand. The advance amounted to HK\$5,088,000 is interest-free and repayable on 26th June, 2020, Interest received by Shun Ho Property on advances repaid during the year amounted to HK\$53,000.
- (c) During the year, expenses amounted to HK\$3,380,000 were payable by Shun Ho Property to Magnificent Hotel for administrative services provided by Magnificent Hotel on a cost reimbursement basis.
- (d) During the year, expenses amounted to HK\$529,000 were payable by Shun Ho Property to Magnificent Hotel for hotel operation services provided by Magnificent Hotel.

Save as disclosed herein:

- (a) no transactions, arrangements or contracts of significance subsisted at any time during the year or at the end of the year to which the Company, its holding company, any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company or his/her connected entities had a material interest, whether directly or indirectly; and

- (b) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

Amongst the directors who held office during the year, Mr. William Cheng Kai Man was indirectly interested in the share capital of the Company, Shun Ho Property and Magnificent Hotel.

In the opinion of the directors not having an interest in those transactions, those transactions were carried out in the ordinary course of the Group's business on normal commercial terms.

### MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

### PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto, provided that this Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company and its subsidiaries.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 10% in aggregate of the Group's total purchases and sales respectively.

None of the directors, their close associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's shares) has any interest in any of the Group's five largest customers or suppliers.

## Report of the Directors (Continued)

### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 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 Share held	Approximate % of shareholding
Mercury Fast Limited (“Mercury”)	Beneficial owner	62,602,700	20.60
Magnificent Hotel (Note 1)	Interest of controlled corporation	62,602,700	20.60
Shun Ho Property (Note 1)	Interest of controlled corporation	62,602,700	20.60
Trillion Resources (Note 2)	Beneficial owner and interest of controlled corporation	216,608,825	71.20
Liza Lee Pui Ling (Note 3)	Interest of spouse	216,766,825	71.22

#### 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 216,766,825 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 has 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.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and with the knowledge of the directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company’s issued shares as required under the Listing Rules.

### ENVIRONMENTAL POLICIES

With regard to the environmental policies, the Group aims to minimise the Group’s environmental impact. The Group has adopted various environmental protection measures for energy efficiency, carbon reduction and to improve efficiency of water usage. They are regularly reviewed and results are closely monitored.

Further details will be disclosed in the Company’s Environmental, Social and Governance Report 2019 which should be published on The Stock Exchange of Hong Kong Limited’s website and the Company’s website no later than three months after the publication of this annual report.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company ensures that all applicable laws, rules and regulations are duly complied with. All the Group’s hotels in Hong Kong obtained hotel licences from Home Affairs Departments and the hotel in the PRC obtained the business licence to operate hotel business. For operating hotel business, all the relevant permits, licenses, certificates and other approvals were obtained.

### RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company places significant emphasis on human capital. The remuneration and benefit were set with reference to the market so as to recruit and retain the staff with the particular skills required for the Company’s strategies. The Company provides a health and safety management system, a fair workplace together with a range of opportunities for career advancement based on employees’ merits and performance.

To enhance customer satisfaction and promote a customer-oriented culture within the Company, the Company takes ‘Customer First’ as one of our core values. The Company values the feedback from customers through daily communication, regular inspections and customer satisfaction surveys. The Company has also established the mechanism about customer service, support and complaints. We address customers’ concern in a timely manner and in accordance with international standards.

The Company believes that our suppliers are equally important in driving quality delivery of our services. Our business suppliers deliver quality sustainable products and services. The Company assures the performance of our suppliers through supplier approval process and by spot checks on the delivered goods.



### THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The following is a list of principal risks and uncertainties that are considered to be of significance and have potential to affect the Group's businesses, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arise resulting from changes in economic and other conditions over time.

Investment Properties ("IP") segment is the Group's core business. With the majority of the properties located in Hong Kong, the general economic climate, regulatory changes, government policies and the political conditions in both Hong Kong and Mainland China may have a significant impact on the Group's overall financial results and condition. The Group's rental income may experience more frequent adjustments resulting from competition arising from oversupply in retail and office areas. Furthermore, rental levels may also be impacted by external economic and market conditions including but not limited to the fluctuations in general supply and demand, performance in stock markets and financial volatility, which may indirectly affect the Group's IP performance.

IPs are stated at their fair values in accordance with the Hong Kong Financial Reporting Standards in the statement of financial position at each reporting period. The fair values are provided by independent professional surveyors, using the income capitalization approach which capitalized the net income of properties and takes into account the significant adjustments on term yield to account for the risk upon reversion and the changes in fair value are recognised in the income statement. Given the size of the Group's IP portfolio, any significant change in the IP values may significantly affect the Group's results that may not be able to reflect the Group's operating and cash flow performance.

The Group owns nine hotels, seven in Hong Kong, one in London and one in the PRC. The Group is operating eight hotels out of these nine hotels, the hotel in London is operated by a hotel management company. Hotel performance is usually subject to a high degree of fluctuations caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions. Because of the large operating expenses of hotel business, the market profit margin is only 35% to 40% of the hotel's total income. Therefore, any significant income downturn due to the above predictable or unpredictable factors may lead to substantial decrease of net profit.

In this respect, hotel segment closely assesses the impact of the geopolitical outlook and economic development of different countries for building its portfolios and exposures to match with the Group's risk appetite. It also takes continual reviews of competition, legal and political changes as well as market trends for setting its business strategies including marketing and pricing to protect and drive profitability.

### AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 30th March, 2020



### TO THE MEMBERS OF SHUN HO HOLDINGS LIMITED

順豪控股有限公司

(incorporated in Hong Kong with limited liability)

### OPINION

We have audited the consolidated financial statements of Shun Ho Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 45 to 117, which comprise the consolidated statement of financial position as at 31st December, 2019, and the consolidated statement of profit or loss, consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### Key audit matter

##### *Valuation of investment properties*

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgments associated with determining the fair value. As at 31st December, 2019, the Group’s investment properties, which are commercial property units located in Hong Kong and a hotel property located in the United Kingdom, amounted to approximately HK\$4,937 million. A decrease in fair value of approximately HK\$106 million was recognised in the consolidated statement of profit or loss for the year.

All of the Group’s investment properties are stated at fair value based on valuations performed by independent professional valuers (the “Valuers”). The fair value is derived by using income capitalisation method and by making reference to comparable rental and sales transactions as available in the market. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 17 to the consolidated financial statements. The valuations of investment properties are dependent on those key inputs.

#### How our audit addressed the key audit matter

Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included:

- Assessing management’s process for reviewing the work of the Valuers;
- Evaluating the competence, capability and objectivity of the Valuers;
- Obtaining an understanding of the valuation process and techniques adopted by the Valuers; and
- Evaluating the reasonableness of key inputs used in the valuations by (i) checking the details of rentals to the existing tenancy profiles (including monthly rental income, occupancy level and expiry date of respective rental agreements); and (ii) comparing to relevant market information on selling prices, rents and capitalisation rates adopted in other similar properties in nearby location and with similar condition.

## Independent Auditor's Report (Continued)

---

### KEY AUDIT MATTER (Continued)

#### Key audit matter

#### *Impairment assessment of leasehold land and hotel buildings ("Hotel Properties")*

We identified the impairment of Hotel Properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgments involved in determining whether any impairment should be recognised on Hotel Properties.

As at 31st December, 2019, the carrying amount of loss making Hotel Properties was approximately HK\$2,033 million. The management of the Group reviews the carrying amount of loss making Hotel Properties to determine whether there is any impairment indication exists, the management assesses the recoverable amount of the loss making Hotel Properties by using the discounted cash flow analysis ("DCF").

The estimation of the recoverable amount of the loss making Hotel Properties involves management judgment and is dependent on certain assumptions and key inputs which includes the discount rates, terminal growth rates and estimated revenue per available room with estimated occupancy rates.

Based on management analysis of the recoverable amount of the loss making Hotel Properties, no impairments were considered to be necessary.

#### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### How our audit addressed the key audit matter

Our procedures in relation to assessing the impairment of loss making Hotel Properties included:

- Understanding the management's process for estimating the DCF and financial budget;
- Evaluating the reasonableness of the assumptions, judgments, valuation techniques and the key inputs adopted by the management in the DCF, e.g. discount rates by reference to comparable companies, terminal growth rates, occupancy rates, daily room rates and gross operating profits, and comparing the hotel operational information with the historical results; and
- Performing sensitivity analyses by making adjustments to the key inputs and assumptions to assess the risk of possible management bias in the impairment assessment.

## **Independent Auditor's Report** *(Continued)*

---

### **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)*

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Independent Auditor's Report** *(Continued)*

---

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Del Rosario, Faith Corazon.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
30th March, 2020

## Consolidated Statement of Profit or Loss

For the year ended 31st December, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Revenue	5		
Contracts with customers		452,148	625,881
Leases		164,862	160,938
Dividend income		299	313
Total revenue		617,309	787,132
Cost of sales		(3,747)	(4,687)
Other service costs		(307,535)	(303,781)
Depreciation of property, plant and equipment		(102,019)	(97,782)
Depreciation of right-of-use assets		(797)	–
Release of prepaid lease payments for land		–	(815)
Gross profit		203,211	380,067
(Decrease) increase in fair value of investment properties		(105,800)	432,450
Other income and expenses and gains and losses	7	37,216	13,335
Administrative expenses		(54,640)	(54,225)
– Depreciation		(9,306)	(8,454)
– Others		(45,334)	(45,771)
Finance costs	8	(26,346)	(35,545)
Profit before taxation	9	53,641	736,082
Income tax expense	11	(33,726)	(56,791)
Profit for the year		19,915	679,291
Profit for the year attributable to:			
Owners of the Company		3,525	310,239
Non-controlling interests		16,390	369,052
		19,915	679,291
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	13		
Basic		1.46	128.3

## Consolidated Statement of Total Comprehensive Income

For the year ended 31st December, 2019

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	<u>19,915</u>	<u>679,291</u>
<b>Other comprehensive (expense) income</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value loss on investment in equity instruments at fair value through other comprehensive income	(841)	(810)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences arising on translation of foreign operations	<u>17,379</u>	<u>(41,941)</u>
Other comprehensive income (expense) for the year	<u>16,538</u>	<u>(42,751)</u>
Total comprehensive income for the year	<u><u>36,453</u></u>	<u><u>636,540</u></u>
Total comprehensive income attributable to:		
Owners of the Company	9,603	294,650
Non-controlling interests	<u>26,850</u>	<u>341,890</u>
	<u><u>36,453</u></u>	<u><u>636,540</u></u>

## Consolidated Statement of Financial Position

At 31st December, 2019

	<i>NOTES</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>14</i>	<b>3,772,036</b>	3,833,997
Right-of-use assets	<i>15</i>	<b>26,481</b>	–
Prepaid lease payments for land	<i>16</i>	–	27,105
Investment properties	<i>17</i>	<b>4,937,300</b>	5,016,500
Deposit paid for acquisition of an investment property	<i>38</i>	<b>429,470</b>	–
Equity instruments at fair value through other comprehensive income	<i>19</i>	<b>3,674</b>	4,515
		<b>9,168,961</b>	8,882,117
<b>CURRENT ASSETS</b>			
Inventories		<b>1,352</b>	1,459
Prepaid lease payments for land	<i>16</i>	–	815
Trade and other receivables	<i>20</i>	<b>10,548</b>	31,980
Other deposits and prepayments		<b>12,952</b>	12,999
Bank balances and cash	<i>21</i>	<b>155,795</b>	583,248
		<b>180,647</b>	630,501
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	<i>22</i>	<b>51,472</b>	36,721
Rental and other deposits received		<b>10,098</b>	22,616
Contract liabilities		<b>2,066</b>	5,031
Amount due to ultimate holding company	<i>31</i>	<b>13,852</b>	26,494
Tax liabilities		<b>39,940</b>	16,421
Bank loans	<i>23</i>	<b>203,153</b>	272,850
		<b>320,581</b>	380,133
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<b>(139,934)</b>	250,368
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>9,029,027</b>	9,132,485



## Consolidated Statement of Financial Position (Continued)

At 31st December, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	24	172,252	172,252
Reserves		<u>3,730,029</u>	<u>3,712,395</u>
Equity attributable to owners of the Company		3,902,281	3,884,647
Non-controlling interests		<u>4,227,921</u>	<u>4,245,085</u>
<b>TOTAL EQUITY</b>		<u>8,130,202</u>	<u>8,129,732</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans	23	697,682	810,674
Rental deposits received		35,414	28,557
Deferred tax liabilities	25	<u>165,729</u>	<u>163,522</u>
		<u>898,825</u>	<u>1,002,753</u>
		<u>9,029,027</u>	<u>9,132,485</u>

The consolidated financial statements on pages 45 to 117 were approved and authorised for issue by the Board of Directors on 30th March, 2020 and are signed on its behalf by:

**William CHENG Kai Man**  
DIRECTOR

**Kimmy LAU Kam May**  
DIRECTOR

## Consolidated Statement of Changes in Equity

For the year ended 31st December, 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	172,252	22,702	(12,374)	(3,899)	(12,834)	775,079	2,603,431	3,544,357	3,996,762	7,541,119
Exchange differences arising on translation of foreign operations	-	-	-	(15,294)	-	-	-	(15,294)	(26,647)	(41,941)
Fair value loss on investment in equity instruments at fair value through other comprehensive income	-	-	(295)	-	-	-	-	(295)	(515)	(810)
Other comprehensive expense for the year	-	-	(295)	(15,294)	-	-	-	(15,589)	(27,162)	(42,751)
Profit for the year	-	-	-	-	-	-	310,239	310,239	369,052	679,291
Total comprehensive (expense) income for the year	-	-	(295)	(15,294)	-	-	310,239	294,650	341,890	636,540
Acquisition of additional interest in a subsidiary	-	-	-	-	-	45,640	-	45,640	(60,904)	(15,264)
Dividend distributed to non-controlling interests	-	-	-	-	-	-	-	-	(32,663)	(32,663)
At 31st December, 2018	172,252	22,702	(12,669)	(19,193)	(12,834)	820,719	2,913,670	3,884,647	4,245,085	8,129,732
Exchange differences arising on translation of foreign operations	-	-	-	6,387	-	-	-	6,387	10,992	17,379
Fair value loss on investment in equity instruments at fair value through other comprehensive income	-	-	(309)	-	-	-	-	(309)	(532)	(841)
Other comprehensive (expense) income for the year	-	-	(309)	6,387	-	-	-	6,078	10,460	16,538
Profit for the year	-	-	-	-	-	-	3,525	3,525	16,390	19,915
Total comprehensive (expense) income for the year	-	-	(309)	6,387	-	-	3,525	9,603	26,850	36,453
Acquisition of additional interest in a subsidiary	-	-	-	-	-	8,031	-	8,031	(10,375)	(2,344)
Dividend distributed to non-controlling interests	-	-	-	-	-	-	-	-	(33,639)	(33,639)
At 31st December, 2019	<u>172,252</u>	<u>22,702</u>	<u>(12,978)</u>	<u>(12,806)</u>	<u>(12,834)</u>	<u>828,750</u>	<u>2,917,195</u>	<u>3,902,281</u>	<u>4,227,921</u>	<u>8,130,202</u>

### Notes:

- The property revaluation reserve is frozen upon the transfer and will be transferred to retained profits when the relevant properties are disposed of.
- The own shares held by a subsidiary represent the carrying amount of shares in the Company held by an entity at the time the entity became a subsidiary of the Company.
- The other reserve was resulted from the acquisition of additional interest or disposal of partial interest in subsidiaries without losing control.
- Included in securities revaluation reserve at 31st December, 2019 consists of (i) the Group's share of a decrease in change in value of securities amounting to HK\$12,252,000 for the year ended 31st December, 2001 attributable to the securities held by a former associate, and (ii) the Group's share of the cumulative fair value losses on equity instruments at fair value through other comprehensive income amounting to HK\$726,000 (2018: HK\$417,000). The associate has become a subsidiary of the Company since 2001.

## Consolidated Statement of Cash Flows

For the year ended 31st December, 2019

	NOTE	2019 HK\$'000	2018 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		53,641	736,082
Adjustments for:			
Interest income from bank deposits		(8,618)	(12,034)
Finance costs		26,346	35,545
Decrease (increase) in fair value of investment properties		105,800	(432,450)
(Gain) loss on disposal of property, plant and equipment		(3,497)	101
Exchange gain arising on deposit paid for acquisition of an investment property		(24,316)	–
Depreciation of property, plant and equipment		111,325	106,236
Depreciation of right-of-use assets		797	–
Release of prepaid lease payments for land		–	815
Operating cash flows before movements in working capital		261,478	434,295
Decrease (increase) in inventories		107	(219)
Decrease in trade and other receivables		19,425	431
Decrease (increase) in other deposits and prepayments		47	(2,296)
Increase in trade and other payables and accruals		16,077	1,481
(Decrease) increase in rental and other deposits received		(5,661)	11,344
Decrease in contract liabilities		(2,965)	(1,362)
Cash generated from operations		288,508	443,674
Hong Kong Profits Tax paid		–	(42,334)
Income tax paid elsewhere		(8,185)	(4,541)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>280,323</b>	<b>396,799</b>
<b>INVESTING ACTIVITIES</b>			
Deposit paid for acquisition of an investment property		(405,154)	–
Acquisition of a subsidiary	34	(58,133)	(38,191)
Acquisition of property, plant and equipment		(10,384)	(8,988)
Settlement of construction costs payable		(1,100)	–
Proceeds from disposal of property, plant and equipment		21,776	162
Interest received		10,624	12,034
Expenditure on properties under development		–	(1,982)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(442,371)</b>	<b>(36,965)</b>
<b>FINANCING ACTIVITIES</b>			
Advance from ultimate holding company		27,000	24,500
Repayments of bank loans		(190,868)	(589,772)
Repayment to ultimate holding company		(42,784)	(29,510)
Dividends paid to non-controlling interests		(33,646)	(32,449)
Interest paid		(23,423)	(32,746)
Acquisition of additional interest in a subsidiary		(2,344)	(15,264)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(266,065)</b>	<b>(675,241)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(428,113)</b>	<b>(315,407)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>583,248</b>	<b>901,914</b>
Effect of foreign exchange rate changes		660	(3,259)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,</b> represented by bank balances and cash		<b>155,795</b>	<b>583,248</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

---

## 1. GENERAL AND BASIS OF PREPARATION

Shun Ho Holdings Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The directors consider the Company’s parent company and ultimate holding company to be Trillion Resources Limited (“Trillion Resources”), an international business company incorporated in the British Virgin Islands (the “BVI”).

The address of the registered office and principal place of business of the Company is 3rd Floor, Shun Ho Tower, 24 – 30 Ice House Street, Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$” or “HKD”), which is also the functional currency of the Company.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the investment and operation of hotels, property investment and securities investment.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$139,934,000 as at 31st December, 2019. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations, including internal resources, sufficient operating cash inflows, available unutilised banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group’s assets which have not been pledged. The ultimate holding company has also agreed not to demand for repayment until the Group has the financial ability to do so. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

**New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)**

#### **HKFRS 16 “Leases” (“HKFRS 16”)**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

#### **Definition of a lease**

The Group has elected the practical expedient to apply HKFRS 16 to contract 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 applied 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.

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:

	<b>At 1st January, 2019 HK\$’000</b>
Operating lease commitments disclosed as at 31st December, 2018	<b>1,620</b>
Less: Recognition exemption – low-value assets	<b>(1,620)</b>
	<b>–</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

**New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)**

**HKFRS 16 “Leases” (“HKFRS 16”) (Continued)**

**As a lessee (Continued)**

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

	<b>Right-of-use assets</b> <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16:	
Reclassified from prepaid lease payments for land ( <i>note</i> )	<u>27,920</u>
Analysed as:	
Leasehold land	<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.

#### **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.

The directors of the Company consider the application of HKFRS 16 has had no material impact on the Group’s financial positions and performance for the current year or as at 1st January, 2020.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

**New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)**

#### ***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 has had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements.

#### ***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 amendments has had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements.

#### ***Amendments to HKFRSs “Annual Improvements to HKFRSs 2015 – 2017 Cycle”***

The annual improvement packages amended the following three standards.

##### **HKAS 12 “Income Taxes”**

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity 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”**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

**New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)**

**Amendments to HKFRSs “Annual Improvements to HKFRSs 2015 – 2017 Cycle” (Continued)**

#### **HKFRS 3 “Business Combinations”**

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity 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 year has had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements.

#### **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, “the Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1st January, 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

#### **New and amendments to HKFRSs in issue but not yet effective** *(Continued)*

##### ***Amendments to HKFRS 3 “Definition of a Business”***

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1st January, 2020, with early application permitted.

##### ***Amendments to HKAS 1 and HKAS 8 “Definition of Material”***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1st January, 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

*New and amendments to HKFRSs in issue but not yet effective (Continued)*

*Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards*

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1st January, 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (“Listing Rules”).

The 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 explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounting for in accordance with HKFRS 16 (since 1st January, 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Basis of consolidation** *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent ownership interests entitling their holders to a proportionate share of net asset of the relevant subsidiaries upon liquidation.

#### ***Changes in the Group's interest in existing subsidiaries***

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets of fair value.

#### Acquisition of subsidiaries not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

#### Treasury shares

Magnificent Hotel Investments Limited (“Magnificent Hotel”) became a subsidiary of the Company in 2001. On consolidation, the shares in the Company held by a subsidiary of Magnificent Hotel have been accounted for using the treasury stock method whereby consolidated equity attributable to owners of the Company is reduced by the carrying amount of the shares in the Company held by the said subsidiary at the date when Magnificent Hotel became a subsidiary of the Company. On disposal of the shares in the Company held by the said subsidiary, the difference between the sale consideration and the carrying amount of the shares disposed of together with the related securities revaluation reserve are recognised in retained profits.

## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Revenue from contracts with customers**

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

#### **Contracts with multiple performance obligations (including allocation of transaction price)**

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### ***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

##### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

#### **Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

#### ***Ownership interests in leasehold land and building***

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” (upon application of HKFRS 16) or “prepaid lease payments for land” (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets over their useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Inventories**

Inventories, representing inventories of food and beverages, are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less the estimated costs necessary to make the sale.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generated units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount if any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividend income which is derived from the Group's ordinary course of business are presented as revenue.

#### Financial assets

##### Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are SPPI.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application of HKFRS 9 "Financial Instruments" ("HKFRS 9")/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

#### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Financial instruments *(Continued)*

##### *Financial assets (Continued)*

##### *Classification and subsequent measurement of financial assets (Continued)*

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the securities revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the securities revaluation reserve.

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

##### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, lease receivables, other deposits, deposit paid for acquisition of an investment property and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Financial instruments *(Continued)*

#### *Financial assets (Continued)*

#### *Impairment of financial assets (Continued)*

#### (i) Significant increase in credit risk *(Continued)*

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

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

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Financial instruments *(Continued)*

#### *Financial assets (Continued)*

#### *Impairment of financial assets (Continued)*

#### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

#### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

#### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1st January, 2019) or HKAS 17 (prior to 1st January, 2019).

## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Financial instruments *(Continued)*

##### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

##### (v) Measurement and recognition of ECL *(Continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and lease receivables are each assessed as a separate group;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the securities revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Financial liabilities and equity instruments*

###### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

###### *Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables, other deposits received, amount due to ultimate holding company and bank loans) are subsequently measured at amortised cost, using the effective interest method.

###### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### Leases

##### *Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)*

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 or arising from business combinations 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, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)*

###### *Leases of low-value assets*

The Group applies the recognition exemption for lease of low-value assets. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

#### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)*

##### *Right-of-use assets*

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.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

#### *The Group as a lessee (prior to 1st January, 2019)*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

#### *The Group as a lessor*

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *Leases (Continued)*

##### *The Group as a lessor (Continued)*

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies 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 for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.



## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Taxation** *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable the current and deferred tax 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.

#### **Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Retirement benefit costs

Payments to the Group's Mandatory Provident Fund Scheme and other defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

#### Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRSs require or permit the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRSs require or permit their inclusion in the cost of an asset.

### 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Deferred taxation on investment properties*

For the purposes of measuring deferred taxes arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on fair value changes of the investment properties on disposal.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Critical judgment in applying accounting policies (Continued)

##### *Deferred taxation on investment properties (Continued)*

The Group has not recognised deferred taxes on the changes in fair value of investment properties located in the United Kingdom (the “UK”) in the previous years as the Group is not subject to any income taxes on fair value changes of the investment properties on disposal. On 6th April, 2019, the Her Majesty’s Revenue and Customs had revised the capital gain tax rule and subsequent to 6th April, 2019, the disposal of investment properties will be subjected to capital gain tax. Therefore, the investment properties in the UK will be subjected to income taxes for any changes in the fair value compared to the fair value of the investment properties as at 6th April, 2019 or at the initial acquisition cost of the investment properties, whichever is higher, upon disposal.

There is no fair value changes of the investment properties in the UK and no deferred tax is provided for the year ended 31st December, 2019.

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Valuation of investment properties*

As described in note 17, investment properties are stated at fair value based on the valuations performed by independent professional valuers. The fair value is derived by using income capitalisation method and by making reference to comparable rental and sales transactions as available in the market which involves certain estimates. In relying on the valuation reports, the management has exercised their judgment and are satisfied that the method of valuation and the key inputs, including capitalisation rates and market rents, are reflective of the current market conditions. If there are changes in the assumptions used for the valuations, the fair value of the investment properties will change in the future. As at 31st December, 2019, the carrying amount of investment properties is HK\$4,937,300,000 (2018: HK\$5,016,500,000).

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group looks for other appropriate valuation techniques and inputs for fair value measurement.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

##### *Estimated impairment of leasehold land and hotel buildings (“Hotel Properties”)*

The Group’s Hotel Properties are stated at cost less accumulated depreciation and impairment, if any. At the end of the reporting period, the management of the Group reviews the carrying amount of Hotel Properties to determine whether there is any impairment indication exists, and the management assesses the recoverable amount of those loss making Hotel Properties. The recoverable amount of those loss making Hotel Properties have been determined by discounted cash flow analysis (“DCF”).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty (Continued)

##### *Estimated impairment of leasehold land and hotel buildings (“Hotel Properties”) (Continued)*

The estimation of the recoverable amount of the loss making Hotel Properties involves management judgment and is dependent on certain assumptions and key inputs including the discount rates, terminal growth rates and estimated revenue per available room with estimated occupancy rates, which are affected by expected future market or economic conditions of the hospitality industry. Any changes to these assumptions and key inputs may result in changes of the recoverable amount of the loss making Hotel Properties and may cause a material adjustment to the carrying amount of the loss making Hotel Properties within the next financial year.

As at 31st December, 2019, the carrying amounts of those loss making Hotel Properties are HK\$2,033,095,000. No impairment was recognised in profit or loss.

##### *Deferred tax asset*

As at 31st December, 2019, a deferred tax asset of HK\$6,798,000 (2018: HK\$5,799,000) in relation to unused tax losses has been recognised in the Group’s consolidated statement of financial position as set out in note 25. No deferred tax asset has been recognised on the remaining tax losses of HK\$39,200,000 (2018: HK\$39,238,000) due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a change takes place.

### 5. REVENUE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Income from operation of hotels	452,148	625,881
Income from property rental	164,862	160,938
Dividend income	299	313
	<u>617,309</u>	<u>787,132</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 5. REVENUE (Continued)

- (i) Disaggregation of revenue for hospitality services segment

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Types of goods or services (time of revenue recognition):		
Room revenue and other ancillary services (recognised over time)	434,986	604,109
Food and beverage (recognised at a point in time)	<u>17,162</u>	<u>21,772</u>
	<u><b>452,148</b></u>	<u><b>625,881</b></u>
Geographical markets:		
Hong Kong	434,069	605,912
The PRC	<u>18,079</u>	<u>19,969</u>
	<u><b>452,148</b></u>	<u><b>625,881</b></u>

Based on the historical pattern, the directors of the Company are of the opinion that the income from operation of hotels are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

Revenue from room and other ancillary service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from hotel food and beverage sales is recognised at a point in time when the food and beverage are served.

- (ii) Leases

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
For operating leases:		
Lease payments that are fixed		<u><b>164,862</b></u>
Operating lease income – investment properties		<u><b>160,938</b></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 6. SEGMENT INFORMATION

HKFRS 8 “Operating Segments” requires operating and reportable segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the Chairman of the Company, for the purposes of allocating resources to segments and assessing their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments under HKFRS 8 are therefore 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 (formerly known as Best Western Hotel Harbour View)
6. Hospitality services – Best Western Grand Hotel
7. Hospitality services – Grand City Hotel
8. Hospitality services – Ramada Hong Kong Grand View (formerly known as Grand View Hotel)
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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 6. SEGMENT INFORMATION (Continued)

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments for both years:

	Segment revenue		Segment profit	
	Year ended		Year ended	
	31st December,		31st December,	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hospitality services	<b>452,148</b>	625,881	<b>39,048</b>	219,344
– Best Western Plus Hotel Kowloon	<b>54,544</b>	69,763	<b>(5,765)</b>	13,756
– Best Western Plus Hotel Hong Kong	<b>68,515</b>	90,715	<b>20,273</b>	42,144
– Magnificent International Hotel, Shanghai	<b>18,079</b>	19,969	<b>(1,542)</b>	3,334
– Best Western Hotel Causeway Bay	<b>48,350</b>	72,108	<b>1,597</b>	24,725
– Ramada Hong Kong Harbour View (formerly known as Best Western Hotel Harbour View)	<b>81,114</b>	113,247	<b>22,153</b>	53,433
– Best Western Grand Hotel	<b>77,150</b>	117,884	<b>(1,071)</b>	38,959
– Grand City Hotel	<b>38,867</b>	56,354	<b>3,831</b>	21,996
– Ramada Hong Kong Grand View (formerly known as Grand View Hotel)	<b>65,529</b>	85,841	<b>(428)</b>	20,997
Property investments	<b>164,862</b>	160,938	<b>58,064</b>	592,860
– 633 King's Road	<b>105,219</b>	101,516	<b>54,456</b>	371,221
– Shun Ho Tower	<b>23,690</b>	24,660	<b>(4,345)</b>	89,127
– Shops and hotel	<b>35,953</b>	34,762	<b>7,953</b>	132,512
Securities investment	<b>299</b>	313	<b>299</b>	313
	<b>617,309</b>	<b>787,132</b>	<b>97,411</b>	812,517
Other income and expenses and gains and losses			<b>37,216</b>	13,335
Central administration costs and directors' emoluments			<b>(54,640)</b>	(54,225)
Finance costs			<b>(26,346)</b>	(35,545)
Profit before taxation			<b>53,641</b>	<b>736,082</b>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. 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, being the 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 years.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 6. SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Segment assets</b>		
Hospitality services	<b>3,607,091</b>	3,718,796
– Best Western Plus Hotel Kowloon	<b>366,943</b>	389,022
– Best Western Plus Hotel Hong Kong	<b>317,628</b>	320,534
– Magnificent International Hotel, Shanghai	<b>67,053</b>	70,679
– Best Western Hotel Causeway Bay	<b>315,115</b>	327,868
– Ramada Hong Kong Harbour View (formerly known as Best Western Hotel Harbour View)	<b>497,931</b>	506,924
– Best Western Grand Hotel	<b>690,187</b>	721,810
– Grand City Hotel	<b>387,415</b>	395,058
– Ramada Hong Kong Grand View (formerly known as Grand View Hotel)	<b>964,819</b>	986,901
Property investments	<b>5,371,581</b>	5,023,300
– 633 King's Road	<b>3,024,436</b>	3,075,734
– Shun Ho Tower	<b>819,775</b>	848,266
– Shops and hotel	<b>1,097,900</b>	1,099,300
– Deposit paid for acquisition of an investment property	<b>429,470</b>	–
Securities investment	<b>3,674</b>	5,844
Total segment assets	<b>8,982,346</b>	8,747,940
Unallocated assets	<b>367,262</b>	764,678
<b>Consolidated assets</b>	<b>9,349,608</b>	9,512,618



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 6. SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities (Continued)

	2019 HK\$'000	2018 HK\$'000
<b>Segment liabilities</b>		
Hospitality services	<b>31,063</b>	27,886
– Best Western Plus Hotel Kowloon	5,224	5,714
– Best Western Plus Hotel Hong Kong	4,242	3,899
– Magnificent International Hotel, Shanghai	1,458	1,256
– Best Western Hotel Causeway Bay	3,520	2,540
– Ramada Hong Kong Harbour View (formerly known as Best Western Hotel Harbour View)	4,467	4,687
– Best Western Grand Hotel	5,854	4,372
– Grand City Hotel	2,513	1,812
– Ramada Hong Kong Grand View (formerly known as Grand View Hotel)	3,785	3,606
Property investments	<b>54,205</b>	50,437
– 633 King's Road	34,463	31,913
– Shun Ho Tower	7,843	8,106
– Shops and hotel	11,899	10,418
Securities investment	<b>2</b>	2
Total segment liabilities	<b>85,270</b>	78,325
Unallocated liabilities	<b>1,134,136</b>	1,304,561
<b>Consolidated liabilities</b>	<b>1,219,406</b>	1,382,886

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), certain other receivables and deposits, 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 and current and deferred tax liabilities.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 6. SEGMENT INFORMATION (Continued)

#### Other segment information

	Depreciation of property, plant and equipment and depreciation of right-of-use assets/ release of prepaid lease payments for land		Additions to non-current assets (Note)		(Decrease) increase in fair value of investment properties	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Hospitality services	<b>102,816</b>	98,597	<b>9,938</b>	8,885	–	–
– Best Western Plus Hotel Kowloon	<b>21,974</b>	18,570	<b>1,854</b>	2,068	–	–
– Best Western Plus Hotel Hong Kong	<b>3,942</b>	3,721	<b>2,743</b>	721	–	–
– Magnificent International Hotel, Shanghai	<b>2,525</b>	2,541	<b>479</b>	79	–	–
– Best Western Hotel Causeway Bay	<b>11,574</b>	11,359	<b>1,715</b>	849	–	–
– Ramada Hong Kong Harbour View (formerly known as Best Western Hotel Harbour View)	<b>6,018</b>	5,636	<b>720</b>	2,221	–	–
– Best Western Grand Hotel	<b>29,086</b>	28,954	<b>999</b>	1,466	–	–
– Grand City Hotel	<b>5,803</b>	5,795	<b>79</b>	165	–	–
– Ramada Hong Kong Grand View (formerly known as Grand View Hotel)	<b>21,894</b>	22,021	<b>1,349</b>	1,316	–	–
Property investments	–	–	<b>429,470</b>	–	<b>(105,800)</b>	432,450
– 633 King's Road	–	–	–	–	<b>(50,000)</b>	270,000
– Shun Ho Tower	–	–	–	–	<b>(27,800)</b>	64,700
– Shops and hotel	–	–	–	–	<b>(28,000)</b>	97,750
– Deposit paid for acquisition of an investment property	–	–	<b>429,470</b>	–	–	–
Securities investment	–	–	–	–	–	–
	<b>102,816</b>	98,597	<b>439,408</b>	8,885	<b>(105,800)</b>	432,450

Note: Additions to non-current assets excluded equity instruments at FVTOCI.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 6. SEGMENT INFORMATION (Continued)

#### Geographical information

The Group's operations are located in Hong Kong, the PRC and the UK.

The following is an analysis of the Group's revenue primarily by geographical markets based on location of assets:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong (place of domicile)	565,384	735,004
The PRC	18,079	19,969
The UK	33,846	32,159
	<u>617,309</u>	<u>787,132</u>

The following is an analysis of the Group's non-current assets by geographical location of the assets:

	Non-current assets (Note)	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	7,698,496	7,864,134
The PRC	66,421	69,168
The UK	1,400,370	944,300
	<u>9,165,287</u>	<u>8,877,602</u>

Note: Non-current assets excluded equity instruments at FVTOCI.

#### Information about major customers

There were no customers individually contributing over 10% of the total revenue for both years.

#### Revenue from major services

Analysis of the Group's revenue from its major services are set out as below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Room revenue	433,574	602,287
Food and beverage	17,162	21,772
Property rental income	164,862	160,938
Dividend income	299	313
Other hotel ancillary income	1,412	1,822
	<u>617,309</u>	<u>787,132</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 7. OTHER INCOME AND EXPENSES AND GAINS AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other income and expenses and gains and losses comprise:		
Management fee income for the provision of property management services	17,601	17,673
Management fee expenses for the provision of property management services	(17,876)	(16,754)
Interest income from bank deposits	8,618	12,034
Exchange gain arising on deposit paid for acquisition of an investment property	24,316	–
Gain (loss) on disposal of property, plant and equipment	3,497	(101)
Others	1,060	483
	<u>37,216</u>	<u>13,335</u>

### 8. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on:		
Bank loans	23,204	32,769
Amount due to ultimate holding company (note 31)	3,142	2,776
	<u>26,346</u>	<u>35,545</u>

### 9. PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	4,240	4,012
Staff costs including directors' emoluments	223,424	217,466
Depreciation of property, plant and equipment	111,325	106,236
Cost of inventories recognised as an expense	10,629	12,264
Operating lease rental in respect of rented equipment	–	1,531
Gross rental income from investment properties	(164,862)	(160,938)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	998	528
	<u>(163,864)</u>	<u>(160,410)</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

#### (a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to the Company's directors are as follows:

	Year ended 31st December, 2019				
	Directors' fees <i>HK\$'000</i>	Basic salaries, allowances and benefits-in-kind <i>HK\$'000</i>	Performance related bonus payments <i>HK\$'000</i>	Contributions to retirement benefits schemes <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive Directors</b>					
Mr. William Cheng Kai Man ( <i>Note</i> )	–	12,104	1,536	18	13,658
Mr. Albert Hui Wing Ho	–	2,738	402	18	3,158
Madam Kimmy Lau Kam May	–	1,386	98	18	1,502
Madam Jennie Wong Kwai Fong	–	749	–	18	767
<b>Non-executive Director</b>					
Madam Mabel Lui Fung Mei Yee	50	–	–	–	50
<b>Independent Non-executive Directors</b>					
Mr. Vincent Kwok Chi Sun	160	–	–	–	160
Mr. Chan Kim Fai	150	–	–	–	150
Mr. Lam Kwai Cheung	150	–	–	–	150
	<b>510</b>	<b>16,977</b>	<b>2,036</b>	<b>72</b>	<b>19,595</b>
<b>Year ended 31st December, 2018</b>					
	Directors' fees <i>HK\$'000</i>	Basic salaries, allowances and benefits-in-kind <i>HK\$'000</i>	Performance related bonus payments <i>HK\$'000</i>	Contributions to retirement benefits schemes <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive Directors</b>					
Mr. William Cheng Kai Man ( <i>Note</i> )	–	12,104	1,537	18	13,659
Mr. Albert Hui Wing Ho	–	2,605	703	18	3,326
Madam Kimmy Lau Kam May	–	1,256	188	18	1,462
Madam Jennie Wong Kwai Fong (appointed on 22nd January, 2018)	–	711	–	18	729
<b>Non-executive Director</b>					
Madam Mabel Lui Fung Mei Yee	50	–	–	–	50
<b>Independent Non-executive Directors</b>					
Mr. Vincent Kwok Chi Sun	160	–	–	–	160
Mr. Chan Kim Fai	150	–	–	–	150
Mr. Lam Kwai Cheung	150	–	–	–	150
	<b>510</b>	<b>16,676</b>	<b>2,428</b>	<b>72</b>	<b>19,686</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

#### (a) Directors' and Chief Executive's emoluments (Continued)

Note:

The emoluments are paid or payable to Mr. William Cheng Kai Man by the following companies:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
The Company (Shun Ho Holdings)	90	90
Magnificent Hotel and its subsidiaries (collectively referred as the "Magnificent Hotel Group")	7,025	7,028
Shun Ho Property and its subsidiaries (excluding Magnificent Hotel Group)	<u>6,543</u>	<u>6,541</u>
	<u><b>13,658</b></u>	<u><b>13,659</b></u>

Mr. William Cheng Kai Man is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors waived any emoluments in the years ended 31st December, 2019 and 2018.

The performance related bonus payments payable to the executive directors are determined based on the performance of the individual directors.

During the years ended 31st December, 2019 and 2018, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

#### (b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, three (2018: three) were directors of the Company, whose emoluments are included above. The emoluments of the remaining two (2018: two) individuals, are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Basic salaries, allowances and benefits-in-kind	1,949	1,803
Performance related bonus payments	555	509
Contributions to retirement benefit scheme	<u>36</u>	<u>36</u>
	<u><b>2,540</b></u>	<u><b>2,348</b></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

#### (b) Employees' emoluments (Continued)

The emoluments were within the following band:

	Number of individuals	
	2019	2018
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>2</u>

### 11. INCOME TAX EXPENSE

	2019	2018
	HK\$'000	HK\$'000
Income tax expense comprises:		
Current tax		
Hong Kong	25,789	46,089
The PRC	252	733
The UK	<u>5,582</u>	<u>5,262</u>
	31,623	52,084
Overprovision in prior years		
Hong Kong	–	(95)
The UK	<u>(104)</u>	<u>(62)</u>
	31,519	51,927
Deferred tax (note 25)	<u>2,207</u>	<u>4,864</u>
	<u>33,726</u>	<u>56,791</u>

On 21st March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1st January, 2008 onwards.

Under the UK Tax Law, the tax rate of the subsidiary operating in the UK is 20%.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 11. INCOME TAX EXPENSE (Continued)

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui [2008] No. 1, starting from 1st January, 2008, 10% withholding income tax will be imposed on dividends related to profits earned by the companies established in the PRC in the calendar year 2008 onwards, being declared to their foreign shareholders pursuant to Articles 3 and 6 of the EIT Law, and Article 17 of the Implementation Rules of the EIT Law. Deferred tax liabilities on the temporary differences attributable to the undistributed profits earned by the Company's PRC subsidiary of HK\$2,902,000 was recognised as at 31st December, 2018. No deferred tax liabilities were recognised in the current year as there was no undistributed profits earned.

Income tax expense for the year can be reconciled to profit before taxation as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation	<u>53,641</u>	<u>736,082</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	8,851	121,454
Tax effect of expenses not deductible for tax purpose	30,864	19,984
Tax effect of income not taxable for tax purpose	(6,150)	(84,808)
Overprovision in prior years	(104)	(157)
Tax effect of tax losses not recognised	222	216
Utilisation of tax losses previously not recognised	(490)	(874)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,270	1,214
Deferred tax liabilities arising on undistributed profits of a PRC subsidiary	–	217
Others	<u>(737)</u>	<u>(455)</u>
Income tax expense	<u>33,726</u>	<u>56,791</u>

### 12. DIVIDEND

No dividend was paid or proposed by the directors of the Company for both years.

### 13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$3,525,000 (2018: HK\$310,239,000) and on 241,766,000 shares (2018: 241,766,000 shares) during the year. 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 years are not presented as there are no potential ordinary shares exist during both years.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Hotel Properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Others HK\$'000	Total HK\$'000
<b>COST</b>					
At 1st January, 2018	165,739	4,144,663	116,538	29,283	4,456,223
Exchange realignment	–	(3,623)	(162)	(10)	(3,795)
Additions	–	–	8,275	713	8,988
Acquisition of a subsidiary (note 34)	38,191	–	–	–	38,191
Transfer from properties under development (note 18)	–	74,621	116	–	74,737
Disposals	–	–	(994)	(346)	(1,340)
	<u>203,930</u>	<u>4,215,661</u>	<u>123,773</u>	<u>29,640</u>	<u>4,573,004</u>
At 31st December, 2018	203,930	4,215,661	123,773	29,640	4,573,004
Exchange realignment	–	(1,426)	(60)	(4)	(1,490)
Additions	161	–	9,154	1,069	10,384
Acquisition of a subsidiary (note 34)	58,133	–	–	–	58,133
Disposals	(19,275)	–	(588)	–	(19,863)
	<u>242,949</u>	<u>4,214,235</u>	<u>132,279</u>	<u>30,705</u>	<u>4,620,168</u>
<b>At 31st December, 2019</b>	<b>242,949</b>	<b>4,214,235</b>	<b>132,279</b>	<b>30,705</b>	<b>4,620,168</b>
<b>DEPRECIATION</b>					
At 1st January, 2018	31,247	518,626	70,277	15,228	635,378
Exchange realignment	–	(1,378)	(145)	(7)	(1,530)
Provided for the year	3,978	88,827	7,602	5,829	106,236
Eliminated on disposals	–	–	(899)	(178)	(1,077)
	<u>35,225</u>	<u>606,075</u>	<u>76,835</u>	<u>20,872</u>	<u>739,007</u>
At 31st December, 2018	35,225	606,075	76,835	20,872	739,007
Exchange realignment	–	(559)	(54)	(3)	(616)
Provided for the year	4,834	92,257	8,832	5,402	111,325
Eliminated on disposals	(1,188)	–	(396)	–	(1,584)
	<u>38,871</u>	<u>697,773</u>	<u>85,217</u>	<u>26,271</u>	<u>848,132</u>
<b>At 31st December, 2019</b>	<b>38,871</b>	<b>697,773</b>	<b>85,217</b>	<b>26,271</b>	<b>848,132</b>
<b>CARRYING AMOUNTS</b>					
<b>At 31st December, 2019</b>	<b><u>204,078</u></b>	<b><u>3,516,462</u></b>	<b><u>47,062</u></b>	<b><u>4,434</u></b>	<b><u>3,772,036</u></b>
At 31st December, 2018	<u>168,705</u>	<u>3,609,586</u>	<u>46,938</u>	<u>8,768</u>	<u>3,833,997</u>

Note: Leasehold land and buildings are situated on land in Hong Kong.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the remaining term of land lease
Hotel Properties and buildings	50 years or over the remaining term of land lease, whichever is shorter
Furniture, fixtures and equipment	4% – 20%
Others	20%

#### Impairment assessment of Hotel Properties

In view of the loss making for some hotels during current year, the management is of the view that there is an indication of impairment and has conducted impairment assessment on the recoverable amount of those loss making Hotel Properties with the carrying amount of HK\$2,033,095,000 as at 31st December, 2019. The recoverable amount of those loss making Hotel Properties are estimated individually. The recoverable amount of those loss making Hotel Properties has been determined by DCF.

The estimation of the recoverable amount of the loss making Hotel Properties involves management judgment and is dependent on certain assumptions and key inputs which includes the discount rates, terminal growth rates and estimated revenue per available room with estimated occupancy rates.

Based on the result of the assessment, the carrying amount of the loss making Hotel Properties has not been reduced since the amount of value in use of the loss making Hotel Properties is higher than the carrying amount. No impairment loss was recognised as at 31st December, 2019.

### 15. RIGHT-OF USE ASSETS

	Leasehold land HK\$'000
<b>As at 1st January, 2019</b>	
Carrying amount	<u>27,920</u>
<b>As at 31st December, 2019</b>	
Carrying amount	<u>26,481</u>
<b>For the year ended 31st December, 2019</b>	
Depreciation charge	797
Exchange realignment	<u>642</u>
	<u><u>1,439</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 15. RIGHT-OF USE ASSETS (Continued)

The right-of-use assets are depreciated on a straight-line basis over the short of its estimated useful life and the lease term.

	<i>HK\$'000</i>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	1,551
Total cash outflow for leases	1,551

For both years, the Group leases rented equipment for its operation. Lease contracts are entered for fixed terms from 1 to 3 years.

The Group regularly entered into leases of low-value assets for rented equipment. As at 31st December, 2019, the portfolio of leases of low-value assets committed is similar to the portfolio of leases of low-value assets expense disclosed above.

### 16. PREPAID LEASE PAYMENTS FOR LAND

The prepaid lease payments represent the land in the PRC and was analysed for reporting purposes as:

	2018
	<i>HK\$'000</i>
Non-current asset	27,105
Current asset	815
	27,920

### 17. INVESTMENT PROPERTIES

The Group leases out investment properties under operating leases with rentals payable monthly or quarterly. The leases typically run for an initial period of 1 to 23 years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
FAIR VALUE		
At the beginning of the year	5,016,500	4,638,300
Exchange realignment	26,600	(54,250)
(Decrease) increase in fair value recognised in profit or loss	(105,800)	432,450
At the end of the year	4,937,300	5,016,500

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 17. INVESTMENT PROPERTIES (Continued)

The fair values of the Group's investment properties as at 31st December, 2019 and 2018 have been arrived at on the basis of valuations carried out on that date by both Cushman & Wakefield Limited and Allsop LLP, independent qualified professional valuers which are 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 rent and 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\$4,913,974,000 (2018: HK\$4,974,777,000) 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 year are insignificant.

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

Investment properties held by the Group	Fair value at 31st December		Fair value hierarchy	Key inputs	Significant unobservable inputs	Sensitivity
	2019 HK\$'000	2018 HK\$'000				
Commercial units in Hong Kong	3,966,400	4,072,200	Level 3	Term yield	Term yield, taking into account of yield generated by market lease over market value on comparables, which ranging from 2.50% to 3.63% (2018: 2.50% to 3.63%)	A slight increase in term yield used would result in a significant decrease in fair value, and vice versa.
				Revisionary yield	Revisionary yield, taking into account of yield generated by market lease over market value on comparables, which ranging from 2.50% to 3.63% (2018: 2.50% to 3.63%)	A slight increase in revisionary yield used would result in a significant decrease in fair value, and vice versa.
				Monthly market rent	Monthly market rent, taking into account on the market lease comparables, which ranging from HK\$39.77 to HK\$115.43 (2018: HK\$47.91 to HK\$142.55) per square feet	A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 17. INVESTMENT PROPERTIES (Continued)

Investment properties held by the Group	Fair value at 31st December		Fair value hierarchy	Key inputs	Significant unobservable inputs	Sensitivity
	2019 HK\$'000	2018 HK\$'000				
Commercial unit in the UK	970,900	944,300	Level 3	Term yield	Term yield, taking into account of yield generated by market lease over market value on comparables, which is 3.50% (2018: 3.09%)	A slight increase in term yield used would result in a significant decrease in fair value, and vice versa.
				Revisionary yield	Revisionary yield, taking into account of yield generated by market lease over market value on comparables, which is 3.51% (2018: 3.49%)	A slight increase in revisionary yield used would result in a significant decrease in fair value, and vice versa.
				Monthly market rent	Market rent, taking into account on the market lease comparables, which is Pound Sterling ("GBP") 2.22 (2018: GBP2.21) per square feet	A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.
	<u>4,937,300</u>	<u>5,016,500</u>				

There were no transfers into or out of Level 3 during both years.

As at 31st December, 2019, except for the commercial property amounted to HK\$819,400,000 (2018: HK\$847,200,000), all of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

### 18. PROPERTIES UNDER DEVELOPMENT

	2019 HK\$'000	2018 HK\$'000
At cost		
At the beginning of the year	–	74,157
Additions	–	580
Transfer to property, plant and equipment (note 14)	–	(74,737)
At the end of the year	<u>–</u>	<u>–</u>

The Group redeveloped certain shops in Best Western Plus Hotel Kowloon into hotel rooms and the management considers that there was a change in use for those shops which were classified as investment properties and were transferred to properties under development in the previous years. Upon the completion of redevelopment of individual hotel rooms, the relevant amount was transferred to property, plant and equipment during the year ended 31st December, 2018.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Equity instruments at FVTOCI	<u>3,674</u>	<u>4,515</u>

The fair value of listed equity securities is determined by reference to quoted market bid price from the Hong Kong Stock Exchange.

### 20. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from contracts with customers	4,246	21,757
Lease receivables	1,182	2,847
Other receivables	<u>5,120</u>	<u>7,376</u>
	<u>10,548</u>	<u>31,980</u>

As at 1st January, 2018, trade receivables from contracts with customers amounted to HK\$21,893,000.

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 from contracts with customers and lease receivables presented based on the invoice date at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Not yet due	5,378	23,385
Overdue:		
0 – 30 days	41	1,057
31 – 60 days	9	119
61 – 90 days	<u>–</u>	<u>43</u>
	<u>5,428</u>	<u>24,604</u>

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits. As at 31st December, 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$50,000 (2018: HK\$1,219,000) which are past due as at the reporting date.

Details of impairment assessment of trade receivables from contracts with customers, lease receivables, other receivables and other deposits are set out in note 36.

No credit loss allowance has been recognised on the trade and other receivables as the directors of the Company consider that the amount is immaterial.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 21. BANK BALANCES AND CASH

Bank balances carry interest at prevailing deposit interest rates ranging from 0.01% to 2.81% (2018: 0.01% to 2.3%) per annum.

Details of impairment assessment of bank balances are set out in note 36.

### 22. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	2,697	4,072
Other payables and accruals	48,775	32,649
	<u>51,472</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	2,601	3,979
31 – 60 days	54	72
61 – 90 days	42	21
	<u>2,697</u>	<u>4,072</u>

The credit period on purchase of goods is up to 30 days. The Group has financial risk management policies in place to ensure that all payables are within credit timeframe.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 23. BANK LOANS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Secured bank loans	<u>900,835</u>	<u>1,083,524</u>
The carrying amounts of bank loans are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	60,847	60,280
Within a period of more than one year but not exceeding two years	60,847	60,280
Within a period of more than two years but not exceeding five years	<u>636,835</u>	<u>750,394</u>
	<u>758,529</u>	<u>870,954</u>
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	72,836	116,405
Within a period of more than one year but not exceeding two years	26,274	47,876
Within a period of more than two years but not exceeding five years	42,806	47,154
Within a period of more than five years	<u>390</u>	<u>1,135</u>
	<u>142,306</u>	<u>212,570</u>
	<u>900,835</u>	<u>1,083,524</u>
Amounts shown under current liabilities	203,153	272,850
Amounts shown under non-current liabilities	<u>697,682</u>	<u>810,674</u>
	<u>900,835</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 29. Effective interest rate is 2.34% (2018: 2.18%) per annum.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 24. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares		
Issued and fully paid:		
At 1st January, 2018, 31st December, 2018 and 2019	304,369	172,252

As at 31st December, 2019 and 2018, the Company's 62,603,000 (2018: 62,603,000) issued shares were held by a subsidiary of the Group. In accordance with the Hong Kong Companies Ordinance, companies within the Group who are shareholders of the Company have no right to vote at meetings of the Company.

### 25. DEFERRED TAX LIABILITIES/ASSET

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax liabilities and asset have been offset. The following are the deferred tax liabilities (asset) recognised and movements thereon during the current and prior reporting periods:

	Business combination HK\$'000	Accelerated tax depreciation HK\$'000	Withholding tax HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st January, 2018	58,367	105,422	2,685	(7,816)	158,658
(Credit) charge to profit or loss	(1,104)	3,734	217	2,017	4,864
At 31st December, 2018	57,263	109,156	2,902	(5,799)	163,522
(Credit) charge to profit or loss	(1,104)	4,310	–	(999)	2,207
<b>At 31st December, 2019</b>	<b>56,159</b>	<b>113,466</b>	<b>2,902</b>	<b>(6,798)</b>	<b>165,729</b>

At the end of the reporting period, the Group has unused tax losses of HK\$80,400,000 (2018: HK\$74,383,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK\$41,200,000 (2018: HK\$35,145,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$39,200,000 (2018: HK\$39,238,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 26. SHARE OPTION SCHEME

An employee share option scheme of the Magnificent Hotel, a subsidiary of the Company was adopted at the extraordinary general meeting held on 14th November, 2013 (the "Share Option Scheme") and was amended at the annual general meeting held on 18th June, 2014. Pursuant to the Share Option Scheme, the board of Magnificent Hotel may, at its discretion, offer to grant options to subscribe for shares of Magnificent Hotel based on the terms and conditions set out therein to any director (including executive, non-executive directors and independent non-executive directors) and any employee of the Magnificent Hotel Group whom the board of Magnificent Hotel considers, in its sole discretion, have contributed or will contribute to the Magnificent Hotel Group.

The purpose of the Share Option Scheme is to reward hotel senior management according to their performance in relation to the growth of hotel revenue.

Summary of the Share Option Scheme is as below:

- (i) The maximum number of Magnificent Hotel's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 5% of the Magnificent Hotel's shares in issue on the date of the adoption of the Share Option Scheme.
- (ii) The total number of Magnificent Hotel's shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of Magnificent Hotel (including options exercised and outstanding) to each participant in any 12 month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the approval of shareholders of Magnificent Hotel in general meeting with such participants and their associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Any grant of share options to a director, chief executive or substantial shareholder of Magnificent Hotel or any of their respective associates is required to be approved by the independent non-executive directors of Magnificent Hotel. If the board of Magnificent Hotel proposes to grant share options to a substantial shareholder or any independent non-executive director or their respective associates which will result in the number of Magnificent Hotel's shares issued and to be issued upon exercise of share options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant: (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules, of the Magnificent Hotel's shares in issue; and (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Magnificent Hotel's shares at the date of each grant, such further grant of options will be subject to the approval of shareholders of Magnificent Hotel in general meeting at which all connected persons of Magnificent Hotel shall abstain from voting, and/or other requirements prescribed under the Listing Rules from time to time.

- (iii) The Magnificent Hotel's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of Magnificent Hotel at any time shall not exceed 30% of the Magnificent Hotel's shares in issue from time to time.
- (iv) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the board of Magnificent Hotel's to the grantees at the time of making an offer which shall not expire later than 10 years from the grant date.
- (v) Upon acceptance of an option, the grantee shall pay HK\$10.00 to Magnificent Hotel by way of consideration for the grant.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 26. SHARE OPTION SCHEME (Continued)

- (vi) The subscription price of a Magnificent Hotel's share in respect of any particular option granted under the Share Option Scheme shall be such price as the board of Magnificent Hotel in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the Magnificent Hotel shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date of grant; and (ii) the average of the official closing prices of the Magnificent Hotel's shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

No share option has been granted under the Share Option Scheme and no other share option scheme was adopted by the Company and its subsidiaries as at 31st December, 2019.

### 27. CAPITAL COMMITMENTS

As at 31st December, 2019, the Group had outstanding commitments contracted for but not provided in the consolidated financial statements in respect of expenditure on property, plant and equipment amounting to HK\$760,000 (2018: HK\$382,000).

### 28. OPERATING LEASE

#### The Group as lessor

All of the properties held for rental purposes have committed lessees for one year to twenty years from the end of the reporting period without termination options granted to tenants.

Minimum lease payments receivable on leases are as follows:

	2019 HK\$'000
Within one year	173,818
In the second year	150,696
In the third year	116,178
In the fourth year	40,219
In the fifth year	36,238
After five years	524,901
	<u>1,042,050</u>

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2018 HK\$'000
Within one year	159,214
More than one year but not more than five years	214,094
More than five years	482,923
	<u>856,231</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 28. OPERATING LEASE (Continued)

#### The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented equipment which fall due as follows:

	2018 HK\$'000
Within one year	1,003
More than one year but not more than five years	<u>617</u>
	<u><u>1,620</u></u>

### 29. PLEDGE OF ASSETS

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

- (a) investment properties and Hotel Properties of the Group with carrying amounts as at 31st December, 2019 of approximately HK\$4,118 million (2018: HK\$4,169 million) and HK\$3,385 million (2018: HK\$3,471 million), respectively;
- (b) pledge of shares in certain subsidiaries with an aggregate net asset value as at 31st December, 2019 of approximately HK\$4,558 million (2018: HK\$4,518 million);
- (c) assignment of property rental of certain subsidiaries;
- (d) charge over deposits and securities of a subsidiary; and
- (e) assignment of insurance on certain of the Hotel Properties.

### 30. RETIREMENT BENEFIT PLANS

The Group operates the Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK\$1,500 (2018: HK\$1,500) per month of each individual employee to the scheme, which contribution is matched by employees.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions.

The contributions paid and payable to the Mandatory Provident Fund Scheme and the state-managed retirement benefit scheme operated by the PRC government by the Group in respect of the year which were charged to profit or loss amounting to HK\$8,138,000 (2018: HK\$7,730,000).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 31. RELATED PARTY TRANSACTIONS

Other than those disclosed in respective notes to the consolidated financial statements, the Group had the following transactions with related parties during the year and balances with related parties at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Transactions during the year:		
Interest expense on amount due to Trillion Resources ( <i>Note a</i> )	3,142	2,776
Compensation of key management personnel ( <i>Note b</i> )	<u>19,595</u>	<u>19,686</u>
Balance as at year end:		
Amount due to Trillion Resources at the end of the reporting period ( <i>Note a</i> )	<u>13,852</u>	<u>26,494</u>

*Notes:*

- (a) The amount due to ultimate holding company is unsecured, carried interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 4% (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.

The remuneration of directors which are also the key management personnel of the Group during the year was as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Short-term benefits	19,523	19,614
Post-employment benefits	<u>72</u>	<u>72</u>
	<u>19,595</u>	<u>19,686</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries ( <i>Note</i> )	175,584	161,665
Amounts due from subsidiaries	<u>225,136</u>	<u>240,837</u>
	<u>400,720</u>	<u>402,502</u>
<b>CURRENT ASSETS</b>		
Other receivables	30	28
Prepayments	216	218
Bank balances and cash	<u>3,619</u>	<u>597</u>
	<u>3,865</u>	<u>843</u>
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	577	542
Amount due to ultimate holding company	13,852	26,494
Amounts due to subsidiaries	<u>9,212</u>	<u>9,212</u>
	<u>23,641</u>	<u>36,248</u>
<b>NET CURRENT LIABILITIES</b>	<u>(19,776)</u>	<u>(35,405)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><u>380,944</u></u>	<u><u>367,097</u></u>
<b>CAPITAL AND RESERVE</b>		
Share capital	172,252	172,252
Reserve	<u>208,692</u>	<u>194,845</u>
<b>TOTAL EQUITY</b>	<u><u>380,944</u></u>	<u><u>367,097</u></u>

*Note:* Investments in subsidiaries are included in the Company's statement of financial position at cost (including deemed capital contribution) less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 30th March, 2020 and is signed on its behalf by:

William CHENG Kai Man  
*DIRECTOR*

Kimmy LAU Kam May  
*DIRECTOR*

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

#### Movement in the Company's reserve

	<b>Retained profits HK\$'000</b>
<b>THE COMPANY</b>	
At 1st January, 2018	185,851
Profit and total comprehensive income for the year	<u>8,994</u>
At 31st December, 2018	194,845
Profit and total comprehensive income for the year	<u>13,847</u>
<b>At 31st December, 2019</b>	<b><u><u>208,692</u></u></b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All the principal subsidiaries are incorporated and operating principally in Hong Kong except otherwise indicated. None of the subsidiaries had any debt securities outstanding as at 31st December, 2019 or at any time during the year.

Name of subsidiary	Paid up issued ordinary share/ registered capital		Proportion of issued ordinary share/registered capital held by				Principal activities
	Number of shares 2019 & 2018	Amount 2019 & 2018	2019		2018		
			Company %	Subsidiaries %	Company %	Subsidiaries %	
Babenna Limited	2	HK\$20	-	100	-	100	Investment holding
Beautiful Sky Investment Limited	2	HK\$2	-	100	-	100	Hotel investment and operation and investment holding
Boutique Hotel Limited	2	HK\$2	-	100	-	100	Hotel investment and operation
Conradion Limited	3,000,000	HK\$3,000,000	-	100	-	100	Hotel investment and operation
Fastgrow Engineering & Construction Company Limited	2	HK\$2	-	100	-	100	Investment holding
Good Taylor Limited	2	HK\$2	-	100	-	100	Investment holding
Grand View Hotel Limited	2,500,000	HK\$2,500,000	-	100	-	100	Hotel management
Harbour Rich Industrial Limited	10,000	HK\$10,000	-	100	-	100	Property investment
Himson Enterprises Limited	2	HK\$2	-	100	-	100	Hotel investment and operation
Houston Venture Limited	2	HK\$2	-	100	-	100	Property investment
King Express Development Limited (iii)	1	HK\$1	-	100	-	100	Property investment
Longham Investment Limited	2	HK\$2	-	100	-	100	Property investment
Magnificent Hotel	8,947,051,324	HK\$841,926,731	-	71.09	-	71.09	Investment holding and provision of management services
Magnificent International Hotel Limited	2	HK\$2	-	100	-	100	Hotel investment and operation
Mercury Fast Limited	2	HK\$2	-	100	-	100	Securities dealings and investment holding
Noblesse International Limited (iv)	1	US\$1	-	100	-	100	Property investment
Pacific Rich International Limited	8	HK\$8	-	100	-	100	Property investment
Postal Power Company Limited ("Postal Power")	2	HK\$2	-	100	-	-	Property investment
Omnico Company Inc. (ii)	1	US\$1	100	-	100	-	Investment holding
Shanghai Shun Ho (Lands Development) Limited (iv)	1	US\$1	-	100	-	100	Investment holding
上海順豪房地產發展有限公司 Shanghai Shun Ho Property Development Co., Ltd. (i)	Registered capital	US\$4,950,000	-	100	-	100	Hotel investment and operation
Shun Ho Capital Properties Limited (iv)	1	US\$1	-	100	-	100	Investment holding
Shun Ho Technology Developments Limited	2	HK\$20	-	100	-	100	Investment holding and financing
Shun Ho Property Investments Limited ("Shun Ho Property")	579,753,289	HK\$1,084,887,388	-	63.44	-	63.29	Investment holding
Sino Money Investments Limited	10,000	HK\$10,000	-	100	-	100	Hotel investment and operation
Tennyland Limited	2	HK\$20	-	100	-	100	Property investment
Trans-Profit Limited	1,000,000	HK\$1,000,000	-	100	-	100	Property investment
Trillion Resources Limited	5,000,000	HK\$5,000,000	100	-	100	-	Investment holding
United Assets Company Limited	2,000,000	HK\$2,000,000	-	100	-	100	Hotel investment and operation and investment holding

- (i) Sino foreign co-operative company established and operating principally in the PRC.  
(ii) Incorporated in the Republic of Liberia.  
(iii) Incorporated in Hong Kong and operating in the UK.  
(iv) Incorporated in the BVI.

The directors are of the opinion that a complete list of the subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affects the results or assets of the Group.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Shun Ho Property	Hong Kong	<u>36.56%</u>	<u>36.71%</u>	<u>16,390</u>	<u>369,052</u>	<u>4,227,921</u>	<u>4,245,085</u>

Summarised financial information in respect of Shun Ho Property that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

#### Shun Ho Property

	2019 HK\$'000	2018 HK\$'000
Current assets	175,875	629,681
Non-current assets	9,278,516	9,020,469
Current liabilities	(312,029)	(358,960)
Non-current liabilities	<u>(898,825)</u>	<u>(1,002,753)</u>
Net assets	8,243,537	8,288,437
Non-controlling interests of subsidiaries of Shun Ho Property	<u>(1,138,061)</u>	<u>(1,156,104)</u>
Equity attributable to owners of Shun Ho Property	<u>7,105,476</u>	<u>7,132,333</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### Shun Ho Property (Continued)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue, other income and expenses and gains and losses and increase in fair value of investment properties	654,148	1,232,916
Expenses and decrease in fair value of investment properties	<u>(630,092)</u>	<u>(549,536)</u>
Profit for the year	<u>24,056</u>	<u>683,380</u>
Profit attributable to owners of Shun Ho Property	17,311	604,054
Profit attributable to the non-controlling interests of subsidiaries of Shun Ho Property	<u>6,745</u>	<u>79,326</u>
Profit for the year	<u>24,056</u>	<u>683,380</u>
Other comprehensive expense attributable to owners of Shun Ho Property	(8,714)	(51,310)
Other comprehensive expense attributable to the non-controlling interests of subsidiaries of Shun Ho Property	<u>(3,545)</u>	<u>(20,864)</u>
Other comprehensive expense for the year	<u>(12,259)</u>	<u>(72,174)</u>
Total comprehensive income attributable to owners of Shun Ho Property	8,597	552,744
Total comprehensive income attributable to the non-controlling interests of subsidiaries of Shun Ho Property	<u>3,200</u>	<u>58,462</u>
Total comprehensive income for the year	<u>11,797</u>	<u>611,206</u>
Dividends paid and payable to non-controlling interests of subsidiaries of Shun Ho Property	<u>(21,243)</u>	<u>(18,286)</u>
Net cash inflow from operating activities	282,602	399,628
Net cash outflow from investing activities	(442,748)	(38,292)
Net cash outflow from financing activities	<u>(270,989)</u>	<u>(676,995)</u>
Net cash outflow	<u>(431,135)</u>	<u>(315,659)</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 34. ACQUISITIONS OF SUBSIDIARIES

#### Acquisition of Postal Power

On 8th July, 2019, the Group completed the acquisition of 100% equity interests in Postal Power from an independent third party at a cash consideration of HK\$58,133,000 without assumption of the loan due to the vendor. The sole asset of Postal Power is a building located in Hong Kong and is of the value HK\$58,133,000 as at completion date. Accordingly, the transaction is accounted for as an acquisition of asset. The asset acquired assumed was as follows:

	8th July, 2019 HK\$'000
Property, plant and equipment	58,133
Net asset assumed	<u>58,133</u>
Net cash outflow on acquisition:	
Consideration paid during the year	<u>(58,133)</u>

#### Acquisition of Sparkle Base Limited (“Sparkle Base”)

On 20th June, 2018, the Group completed for the acquisition of 100% equity interests in Sparkle Base from an independent third party at a cash consideration of HK\$38,191,000 without assumption of the loan due to the vendor. The sole asset of Sparkle Base is a building located in Hong Kong and is of the value HK\$38,191,000 as at completion date. Accordingly, the transaction is accounted for as an acquisition of asset. The asset acquired assumed was as follows:

	20th June, 2018 HK\$'000
Property, plant and equipment	38,191
Net asset assumed	<u>38,191</u>
Net cash outflow on acquisition:	
Consideration paid	<u>(38,191)</u>

### 35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which include amount due to ultimate holding company disclosed in note 31 and bank loans disclosed in note 23 (net of bank balances and cash) and equity attributable to owners of the Company, comprising issued capital, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debts.

There are no significant changes on the Group's approach to capital risk management during the year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 36. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b><i>Financial assets</i></b>		
Financial assets at amortised cost	605,096	624,005
Equity instruments at FVTOCI	3,674	4,515
	<u>608,770</u>	<u>628,520</u>
<b><i>Financial liabilities</i></b>		
Amortised cost	<u>972,390</u>	<u>1,174,989</u>

#### (b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, trade and other receivables, lease receivables, other deposits, deposit paid for acquisition of an investment property, bank balances and cash, trade and other payables, other deposits received, amount due to ultimate holding company and bank loans. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

##### (i) Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
GBP	<u>430,137</u>	<u>27</u>	<u>–</u>	<u>–</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 36. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### (i) Foreign currency risk management (Continued)

###### Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2018: 10%) increase and decrease in HKD against GBP. 10% (2018: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2018: 10%) change in foreign currency rate. A positive number below indicates an increase in post-tax profit for the year where HKD weaken 10% (2018: 10%) against GBP. For a 10% (2018: 10%) strengthening of HKD against GBP, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	2019 HK\$'000	2018 HK\$'000
GBP	<u>(43,014)</u>	<u>(3)</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant years.

##### (ii) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to bank balances, amount due to ultimate holding company and bank loans which are subject to variable rate interest rate. The interest rates and terms of repayment of the bank loans of the Group are disclosed in note 23. The Group has not used any derivative contracts to hedge its exposure to such interest rate risk, however, the management monitors interest rate exposures and will consider other necessary action when significant interest rate exposure is anticipated. The Group's interest rate risk is mainly concentrated on the fluctuation of market interest rate on amount due to ultimate holding company and bank loans.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2019 HK\$'000	2018 HK\$'000
Other income		
Financial assets at amortised cost	<u>8,618</u>	<u>12,034</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 36. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### (ii) Interest rate risk management (Continued)

###### *Interest rate sensitivity*

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments including variable-rate amount due to ultimate holding company and bank loans at the end of the reporting period. For variable-rate financial instruments, the analysis is prepared assuming the amount of financial instruments are outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2019 would decrease/increase by HK\$58,000 (2018: HK\$111,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate amount due to ultimate holding company.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2019 would decrease/increase by HK\$3,761,000 (2018: HK\$4,524,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

##### (iii) Other price risk

The Group is exposed to equity price risk arising from equity instruments at FVTOCI.

###### *Equity price sensitivity*

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. If the market prices of the equity instruments at FVTOCI had been 10% higher/lower while all other variables were held constant, securities revaluation reserve for the year ended 31st December, 2019 would increase/decrease by HK\$368,000 (2018: HK\$452,000), as a result of the changes in fair value of equity instruments at FVTOCI.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 36. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### (iv) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, other deposits, deposit paid for acquisition of an investment property, lease receivables, bank balances and equity instruments at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and lease receivables		Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL	
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL	
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired	
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired	
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off	

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 36. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### (iv) Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					2019	2018
					HK\$'000	HK\$'000
<b>Financial assets at amortised cost</b>						
Trade receivables from contracts with customers	20	N/A	Low risk	Lifetime ECL	4,246	21,757
Lease receivables	20	N/A	Low risk	Lifetime ECL	1,182	2,847
Other receivables	20	N/A	Low risk	12m ECL	4,921	7,359
Other deposits	N/A	N/A	Low risk	12m ECL	9,482	8,794
Deposit paid for acquisition of an investment property	38	N/A	Low risk	12m ECL	429,470	–
Bank balances	21	A1 to Prime 1	N/A	12m ECL	155,795	583,248

##### *Trade receivables from contracts with customers*

The Group has no significant concentration of credit risk on trade receivables from contracts with customers, with exposure spread over a number of counterparties and customers.

The Group performs impairment assessment under ECL model on trade balances. The trade receivables from contracts with customers are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for new customers.

As part of the Group's credit risk management, the Group used an internal credit rating by assigning loss rates to its debtors. The estimated loss rates are based on aging of trade debtors as well as historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

For the years ended 31st December, 2019 and 2018, the Group assessed the ECL for trade receivables were insignificant and thus no loss allowance for impairment was recognised.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 36. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### (iv) Credit risk and impairment assessment (Continued)

###### *Lease receivables*

The Group performs impairment assessment under ECL model on lease receivables. The lease receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring tenants and current past due exposure for new tenants.

As part of the Group's credit risk management, the Group used an internal credit rating by assigning loss rate to its tenants. The estimated loss rates are based on aging of tenants as well as historical observed default rates over the expected life of the tenants and are adjusted for forward-looking information that is available without undue cost or effort.

For the years ended 31st December, 2019 and 2018, the Group assessed the ECL for lease receivables were insignificant and thus no loss allowance was recognised.

###### *Other receivables, other deposits and deposit paid for acquisition of an investment property*

For other receivables, other deposits and deposit paid for acquisition of an investment property, the directors of the Company make periodic assessment on the recoverability of other receivables, other deposits and deposit paid for acquisition of an investment property based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

For the years ended 31st December, 2019 and 2018, the Group assessed the ECL for other receivables, other deposits and deposit paid for acquisition of an investment property were insignificant and thus no loss allowance was recognised.

###### *Bank balances*

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

---

### 36. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### (v) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31st December, 2019, the Group has available unutilised banking facilities approximately HK\$918,500,000 (2018: HK\$687,000,000).

As at 31st December, 2019, the Group had net current liabilities of HK\$139,934,000 which is exposed to liquidity risk. In order to mitigate the liquidity risk, the directors of the Company consider that the Group has a number of sources of finance available to fund its operations, including internal resources, sufficient operating cash inflows, available unutilised banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group's assets which have not been pledged. The ultimate holding company has also agreed not to demand for repayment until the Group has the financial ability to do so.

As at 31st December, 2019, the Company had net current liabilities of HK\$19,776,000 which is exposed to liquidity risk. In order to mitigate the liquidity risk, the directors of the Company consider that the Company has a number of sources of finance available to fund its operations, including internal resources and sufficient operating cash inflows. The ultimate holding company has also agreed not to demand for repayment until the Company has the financial ability to do so.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank loans is prepared based on the scheduled repayment dates.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 36. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### (v) Liquidity risk management (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2019</b>							
Non-interest bearing	–	10,019	2,176	10,094	35,414	57,703	57,703
Bank loans							
– variable interest rate	2.34	149,117	13,437	60,241	724,796	947,591	900,835
Other variable interest rate instruments	6.67	13,852	–	–	–	13,852	13,852
		<u>172,988</u>	<u>15,613</u>	<u>70,335</u>	<u>760,210</u>	<u>1,019,146</u>	<u>972,390</u>
	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2018</b>							
Non-interest bearing	–	19,440	24	16,950	28,557	64,971	64,971
Bank loans							
– variable interest rate	2.18	219,668	13,440	60,786	857,251	1,151,145	1,083,524
Other variable interest rate instruments	6.24	26,494	–	–	–	26,494	26,494
		<u>265,602</u>	<u>13,464</u>	<u>77,736</u>	<u>885,808</u>	<u>1,242,610</u>	<u>1,174,989</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 36. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### (v) Liquidity risk management (Continued)

The table below summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand or less than 1 month” time band in the maturity analysis contained in the table above. Taking into account the Group’s financial position, the directors of the Company do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments							
	Less than 1 month <i>HK\$'000</i>	1 – 3 months <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	1 – 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
2019	<u>883</u>	<u>1,752</u>	<u>74,579</u>	<u>71,674</u>	<u>395</u>	<u>149,283</u>	<u>142,306</u>
2018	<u>5,043</u>	<u>9,933</u>	<u>106,281</u>	<u>98,526</u>	<u>1,174</u>	<u>220,957</u>	<u>212,570</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

#### (c) Fair values of financial instruments

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 key inputs used).

Financial asset	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	Fair value hierarchy	Valuation technique(s) and key input(s)
Equity instruments at FVTOCI	<u>3,674</u>	<u>4,515</u>	Level 1	Quoted bid prices in an active market

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31st December, 2019

### 37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<b>Interest payable (included in other payables) HK\$'000</b>	<b>Bank loans HK\$'000</b>	<b>Dividend payable (included in other payables) HK\$'000</b>	<b>Amount due to ultimate holding company HK\$'000</b>	<b>Total HK\$'000</b>
At 1st January, 2018	1,489	1,692,573	6,005	28,728	1,728,795
Financing cash inflows	–	–	–	24,500	24,500
Financing cash outflows	(32,746)	(589,772)	(32,449)	(29,510)	(684,477)
Dividends declared	–	–	32,663	–	32,663
Interest expenses	32,769	–	–	2,776	35,545
Exchange realignment	–	(19,277)	–	–	(19,277)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2018	1,512	1,083,524	6,219	26,494	1,117,749
Financing cash inflows	–	–	–	27,000	27,000
Financing cash outflows	(23,423)	(190,868)	(33,646)	(42,784)	(290,721)
Dividends declared	–	–	33,639	–	33,639
Interest expenses	23,204	–	–	3,142	26,346
Exchange realignment	–	8,179	–	–	8,179
Others	–	–	(10)	–	(10)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31st December, 2019</b>	<b><u>1,293</u></b>	<b><u>900,835</u></b>	<b><u>6,202</u></b>	<b><u>13,852</u></b>	<b><u>922,182</u></b>

## Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31st December, 2019

---

### 38. EVENTS AFTER THE REPORTING PERIOD

The following significant events had took place subsequent to 31st December, 2019:

- (a) An indirectly wholly-owned subsidiary of Magnificent Hotel Group (referred as the “Subsidiary”) had paid an aggregate sum of GBP40,000,000 (equivalent to HK\$429,470,000) as initial deposits to a purchasing agent, which is an independent third party to Magnificent Hotel Group and the Group, for the public tender in City of London, the UK on 17th December, 2019, and such deposit was recorded as “deposit paid for acquisition of an investment property” in the consolidated statement of financial position.

On 29th January, 2020, the Subsidiary had succeeded in a competitive bid of the property through a public tender in the City of London, the UK and entered into a purchase agreement with an independent third party to acquire the property for future property redevelopment at a consideration of GBP40,000,000. Such acquisition has constitute as a major acquisition.

Details of the above acquisition are set out in the Company’s announcement dated 29th January, 2020.

The Company had issued a circular related to the major acquisition on 25th March, 2020.

- (b) On 25th February, 2020, the Subsidiary had entered into an exchange agreement with an independent third party to Magnificent Hotel Group and the Group, to acquire the property in the UK for an aggregate cash consideration of GBP2,700,000. The acquisition was completed on 17th March, 2020.

Details of the above acquisition are set out in the Company’s announcement dated 25th February, 2020.

- (c) The outbreak of the coronavirus (“COVID-19”) in the PRC and the subsequent quarantine measures imposed by the PRC government as well as the travel restrictions imposed by other countries in early 2020 have had a severe negative impact on the operations of the Group. As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group’s consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the first half and full year of 2020.

## Financial Summary

---

### CONSOLIDATED RESULTS

	For the year ended 31st December,				
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	<u>561,827</u>	<u>590,665</u>	<u>671,557</u>	<u>787,132</u>	<u>617,309</u>
Operating profit and profit before taxation	246,668	458,262	892,439	736,082	53,641
Income tax expense	<u>(38,625)</u>	<u>(37,371)</u>	<u>(48,030)</u>	<u>(56,791)</u>	<u>(33,726)</u>
Profit before non-controlling interests	208,043	420,891	844,409	679,291	19,915
Non-controlling interests	<u>(122,640)</u>	<u>(226,946)</u>	<u>(437,159)</u>	<u>(369,052)</u>	<u>(16,390)</u>
Profit for the year	<u>85,403</u>	<u>193,945</u>	<u>407,250</u>	<u>310,239</u>	<u>3,525</u>

## Financial Summary (Continued)

### CONSOLIDATED NET ASSETS

	For the year ended 31st December,				
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Property, plant and equipment	2,849,408	2,874,620	3,820,845	3,833,997	<b>3,772,036</b>
Prepaid lease payments for land (non-current portion) /right-of-use assets	30,765	27,898	29,528	27,105	<b>26,481</b>
Investment properties	3,011,800	3,890,050	4,638,300	5,016,500	<b>4,937,300</b>
Properties under development	102,981	56,369	74,157	–	–
Other non current assets	135,192	6,768	7,221	4,515	<b>433,144</b>
Net current assets (liabilities)	423,182	(8,583)	317,490	250,368	<b>(139,934)</b>
Non-current bank loans	–	–	(1,155,604)	(810,674)	<b>(697,682)</b>
Non-current rental deposits received	(26,316)	(34,238)	(32,160)	(28,557)	<b>(35,414)</b>
Deferred tax liabilities	(154,287)	(155,432)	(158,658)	(163,522)	<b>(165,729)</b>
Non-controlling interests	<u>(3,436,366)</u>	<u>(3,565,228)</u>	<u>(3,996,762)</u>	<u>(4,245,085)</u>	<u><b>(4,227,921)</b></u>
Net assets attributable to owners of the Company	<u>2,936,359</u>	<u>3,092,224</u>	<u>3,544,357</u>	<u>3,884,647</u>	<u><b>3,902,281</b></u>



## Major Properties

### A. HOTEL PROPERTIES (HELD FOR INVESTMENT)

Location	Type of use	Lease term
Ramada Hong Kong Grand View No. 88 Chun Yeung Street North Point, Hong Kong	Hotel	Medium-term lease
Best Western Plus Hotel Hong Kong No. 308 Des Voeux Road West Hong Kong	Hotel	Long lease
Best Western Plus Hotel Kowloon Nos. 73-75 Chatham Road South Tsimshatsui, Kowloon	Hotel	Medium-term lease
Best Western Grand Hotel No. 23 Austin Avenue Tsimshatsui Kowloon, Hong Kong	Hotel	Medium-term lease
Best Western Hotel Causeway Bay No. 38 Bowrington Road Causeway Bay Hong Kong	Hotel	Medium-term lease
Ramada Hong Kong Harbour View No. 239 Queen's Road West Hong Kong	Hotel	Long lease
Magnificent International Hotel No. 381 Xizang Road South Shanghai, The PRC	Hotel	Medium-term lease
Grand City Hotel No. 338 Queen's Road West Hong Kong	Hotel	Long lease
Royal Scot Hotel 100 King's Cross Road London, WC1X 9DT England	Hotel	Freehold

### B. PROPERTIES HELD FOR INVESTMENT

Location	Type of use	Lease term
Shun Ho Tower Nos. 24-30 Ice House Street Central, Hong Kong	Commercial	Long lease
No. 633 King's Road North Point, Hong Kong	Commercial	Long lease
No. 37 Wood Street London EC2 England*	Commercial (Future property redevelopment)	Long lease

\* The property was acquired on 29th January, 2020, the details are set out in note 38(a) to the consolidated financial statements.

