

# MAGNIFICENT HOTEL INVESTMENTS LIMITED

## 華大酒店投資有限公司

(Stock Code: 201)



INTERIM REPORT 2020

## **CORPORATE INFORMATION**

### **Executive Directors**

Mr. William CHENG Kai Man (*Chairman*)

Mr. Albert HUI Wing Ho

Madam Kimmy LAU Kam May

Madam NG Yuet Ying

Madam Wendy CHENG Wai Kwan  
(appointed on 25th May, 2020)

Madam Jennie WONG Kwai Fong  
(retired on 22nd May, 2020)

### **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  
30th Floor  
United Centre  
95 Queensway  
Hong Kong

### **Principal Bankers**

The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China (Hong Kong) Limited

### **Registered Office**

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

### **Share Registrars**

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

### **Company's Website**

[www.magnificenthotelinv.com](http://www.magnificenthotelinv.com)

## INTERIM RESULTS

The board of directors (the “Board”) of Magnificent Hotel Investments Limited (the “Company”) announces that the loss for the period attributable to owners of the Company for the six months ended 30th June, 2020 was HK\$154 million (profit for the six months ended 30th June, 2019: HK\$58 million), decreased by HK\$212 million.

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2020 (six months ended 30th June, 2019: HK0.08 cent per share).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Loss for the period attributable to owners of the Company for the six months ended 30th June, 2020 was HK\$154 million (profit for the six months ended 30th June, 2019: HK\$58 million), decreased by HK\$212 million.

	<b>Six months ended</b>		Change
	30.6.2019 <i>HK\$'000</i> (unaudited)	<b>30.6.2020</b> <i>HK\$'000</i> (unaudited)	
Profit (loss) from operation of hotels	63,261	<b>(49,907)</b>	N/A
– Profit (loss)	101,208	<b>(12,111)</b>	
– Depreciation	(37,947)	<b>(37,796)</b>	
Profit (loss) from property investment	14,566	<b>(99,247)</b>	N/A
Income from securities investments	3,557	<b>53</b>	-99%
Other income and expenses and gain and losses	8,804	<b>9,489</b>	+8%
	90,188	<b>(139,612)</b>	N/A
Administrative expenses	(18,698)	<b>(19,113)</b>	+2%
Income tax (expense) credit	(13,891)	<b>4,866</b>	N/A
Profit (loss) after taxation	57,599	<b>(153,859)</b>	N/A

The overall loss for the six months ended 30th June, 2020 was mainly due to the hotel operating loss, revaluation loss and depreciation.

## PERFORMANCE

- For the six months ended 30th June, 2020, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and investment properties rental income, which was analysed as follows:

### Income

	Six months ended		Change	Reasoning
	30.6.2019 <i>HK\$'000</i> (unaudited)	30.6.2020 <i>HK\$'000</i> (unaudited)		
Income from operation of hotels	248,370	<b>71,463</b>	-71%	Decrease in room rates and occupancies
Income from investment properties	16,739	<b>18,782</b>	+12%	Royal Scot Hotel, London and apartment leasing
Dividend income	3,557	<b>53</b>	-99%	Decrease in dividend received from stock investment
Other income	<u>8,804</u>	<u><b>9,489</b></u>	+8%	
<b>Total</b>	<u><u>277,470</u></u>	<u><u><b>99,787</b></u></u>	-64%	

The total income for the Group decreased by 64% from HK\$277 million to HK\$100 million for the same period compared with last year.

The Group presently owns eight hotels, operates seven hotels and leases out one hotel in London. The income from operation of hotels decreased by 71% to HK\$71 million (six months ended 30th June, 2019: HK\$248 million). Royal Scot Hotel in London was leased to a hotel management company, Travelodge.

	Ramada Hong Kong Harbour View	Best Western Grand Hotel	Best Western Plus Hotel Hong Kong	Best Western Hotel Causeway Bay	Best Western Plus Hotel Kowloon	Grand City Hotel	Magnificent International Hotel, Shanghai	Change %
2020								
Jan to Jun								
Average room occupancy	77%	75%	91%	78%	84%	92%	20%	
<b>Total revenue (HK'000)</b>	<b>14,387</b>	<b>13,397</b>	<b>15,582</b>	<b>8,573</b>	<b>9,486</b>	<b>8,372</b>	<b>1,666</b>	
2019								
Jan to Jun								
Total revenue (HK'000)	51,823	52,349	43,122	31,573	36,326	25,027	8,150	
Change (%)	-72	-74	-64	-73	-74	-67	-80	-71

Best Western Grand Hotel will be re-branded to the higher class **RAMADA HONG KONG GRAND** in August 2020.

As at 30th June, 2020, an independent third party valuation of Royal Scot Hotel, London was GBP88,500,000 (As at 30th June, 2019: GBP95,000,000). The rental income of Royal Scot Hotel, London for the period was GBP1,769,000, equivalent to HK\$17,474,000 (six months ended 30th June, 2019: GBP1,564,000, equivalent to HK\$15,565,000), increased by 12%.

## COST

- The **SERVICE COST** of the Group for the period was HK\$80.6 million (six months ended 30th June, 2019: HK\$143.2 million), representing hotel operation cost, **decreased by HK\$62.6 million, which is a 44% decrease.**

Name of Hotel	Six months ended		Change
	30.6.2019 <i>HK\$ million per month</i>	30.6.2020 <i>HK\$ million per month</i>	
Ramada Hong Kong Harbour View	4.97	<b>2.50</b>	-50%
Best Western Grand Hotel	4.55	<b>2.31</b>	-49%
Best Western Plus Hotel Kowloon	3.54	<b>1.96</b>	-45%
Best Western Plus Hotel Hong Kong	4.13	<b>2.56</b>	-38%
Best Western Hotel Causeway Bay	3.21	<b>1.81</b>	-44%
Grand City Hotel	2.68	<b>1.67</b>	-38%
Magnificent International Hotel, Shanghai	1.14	<b>0.63</b>	-45%

Cost of sale of HK\$0.2 million (six months ended 30th June, 2019: HK\$2 million) was from cost of food and beverage, which represented a HK\$1.8 million decrease.

- During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$15.4 million (six months ended 30th June, 2019: HK\$14.9 million), representing costs for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses. The increase was due to the professional fee arising from the acquisition of Wood Street Hotel in London.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$37.8 million (six months ended 30th June, 2019: HK\$37.9 million) for the period.

## DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change HK\$ million
	30.6.2019 HK\$ million	30.6.2020 HK\$ million	
Ramada Hong Kong Harbour View	3.0	3.0	–
Best Western Grand Hotel	14.5	14.6	+0.1
Best Western Plus Hotel Kowloon	8.6	8.1	-0.5
Best Western Plus Hotel Hong Kong	1.9	2.1	+0.2
Best Western Hotel Causeway Bay	5.7	5.8	+0.1
Grand City Hotel	2.9	2.9	–
Magnificent International Hotel, Shanghai	1.3	1.3	–
<b>Total amount for the period</b>	<u>37.9</u>	<u>37.8</u>	-0.1

## FUNDING

- As at 30th June, 2020, the **OVERALL DEBTS** of the Group were HK\$772 million (31st December, 2019: HK\$419 million), of which HK\$747 million (31st December, 2019: HK\$391 million) was assets secured bank borrowings and HK\$25 million was advances from shareholder (31st December, 2019: HK\$28 million). The increase in overall debts was due to the increase in bank borrowings to make up appropriate cash reserve in deposits in case of any banking system disorder in Hong Kong because of the unstable social situation. Subsequently, HK\$356.2 million bank loan was repaid during July and August 2020. Therefore, the overall debts of the Group would be about HK\$416 million.

The gearing ratio was 21% (31st December, 2019: 10%) in terms of overall debts of HK\$772 million (31st December, 2019: HK\$419 million) against funds employed of HK\$3,685 million before revaluation of all hotel properties (31st December, 2019: HK\$3,991 million).

The overall debts were analysed as follows:

	As at 31st December, 2019 <i>HK\$ million</i>	As at 30th June, 2020 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid As at 30th June, 2020 <i>HK\$ million</i>
Bank loans	391	747	+356	3.8
Shareholder's loan	28	25	-3	0.8
Overall debts	419	772	+353	4.6

- FINANCE COST:** Of these loans, the total interest expenses amounted to HK\$4.6 million (30th June, 2019: HK\$4 million), the bank loans interest expenses amounted to HK\$3.8 million (30th June, 2019: HK\$4 million) and the shareholder's loan interest expenses amounted to HK\$0.8 million (30th June, 2019: Nil). The interests increased was mainly due to the increase in shareholder's loan during the period.

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 the management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

As at 30th June, 2020, the Group had a total number of 503 employees (31st December, 2019: 618 employees). Remuneration and benefit were set with reference to the market.

## BUSINESS HIGHLIGHTS

During the period, the tourism market in Hong Kong was most devastated by the local social unrest and the COVID-19. Overseas/PRC visitors have dropped to less than 100 a day and most hotels and retail stores suffer from an over 90% drop in turnover. Our hotel management achieved a reduction of operating costs of HK\$63 million (44%) while maintaining high occupancies above 80%.

During the period, the rental income of Royal Scot Hotel, London increased by 12% compared with the same period last year.

The Group acquired Wood Street Police Headquarter building in the centre of City of London for GBP40 million on 29th January, 2020 which has a gross internal area of 117,472 s.f. on a 20,000 s.f. island site for the refurbishment of a deluxe hotel of about 210 guest rooms, restaurants, bar and facilities (subject to approval). The management is proud of having this opportunity to renovate this landmark heritage building in the centre of City of London.



## **LOOKING AHEAD**

The Group has eight income producing hotels, six in Hong Kong, one in Shanghai, one in London, and the newly acquired Wood Street Hotel refurbishment project in London.

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

It is the management's view that with the remaining months of this financial year due to the continuous COVID-19 effect, unstable US-China relationship, it is quite unlikely overseas/PRC visitors will return to Hong Kong in significant volume. Hotels and retail stores will continue to suffer from low occupancies and high operating costs. The management will continue to try to maintain high hotel occupancies and to control hotel operating costs.

In longer term, the continuous adverse US-China relationship will impact on the geopolitics, which will continue to damage any tourism and economy recovering.

## **PUBLIC FLOAT**

Based on information that was publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the period and up to the date of this report as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2020.

## DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2020, 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 recorded 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 (the "Model Code"), were as follows:

### The Company

Name of director	Capacity	Nature of interests	Number of shares/ underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	6,360,585,437 <i>(Note)</i>	71.09

#### *Note:*

Shun Ho Property Investments Limited ("Shun Ho Property") beneficially owned 2,709,650,873 shares of the Company (the "Shares") (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow Engineering & Construction Company Limited ("Fastgrow"), representing a total of 6,360,585,437 Shares (71.09%). Mr. William Cheng Kai Man had controlling 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 held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Property (Note 1)	Beneficial owner and interest of controlled corporations	Personal and corporate	369,489,999	63.73%
William Cheng Kai Man	Shun Ho Holdings Limited ("Shun Ho Holdings") (Note 2)	Beneficial owner and interest of controlled corporations	Personal and corporate	217,452,825	71.44%
William Cheng Kai Man	Trillion Resources Limited ("Trillion Resources") (Note 3)	Beneficial owner	Personal	2	100

### Notes:

1. Shun Ho Property, the Company's immediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Shun Ho Holdings, the Company's intermediate holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.
4. All the above interests in the shares of the associated corporations are long position.

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

Save as disclosed above, as at 30th June, 2020, none of the directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares and 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 recorded 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 and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2020, 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares/ underlying Shares held</b>	<b>Approximate % of shareholding</b>
Shun Ho Property ( <i>Note 1</i> )	Beneficial owner and interest of controlled corporations	6,360,663,987 (L)	71.09
Omnico Company Inc. ("Omnico") ( <i>Note 2</i> )	Interest of controlled corporations	6,360,663,987 (L)	71.09
Shun Ho Holdings ( <i>Note 2</i> )	Interest of controlled corporations	6,360,663,987 (L)	71.09
Trillion Resources ( <i>Note 2</i> )	Interest of controlled corporations	6,360,663,987 (L)	71.09
Liza Lee Pui Ling ( <i>Note 3</i> )	Interest of spouse	6,360,663,987 (L)	71.09
Fastgrow	Beneficial owner	2,978,198,581 (L)	33.29
Credit Suisse Trust Limited ( <i>Note 4</i> )	Interest of controlled corporations	782,114,500 (L)	8.74
Hashim Majed Hashim A. ( <i>Note 4</i> )	Interest of controlled corporations	782,114,500 (L)	8.74
North Salomon Limited ( <i>Note 4</i> )	Interest of controlled corporations	782,114,500 (L)	8.74
Saray Capital Limited ( <i>Note 4</i> )	Interest of controlled corporations	782,114,500 (L)	8.74

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares/ underlying Shares held</b>	<b>Approximate % of shareholding</b>
Saray Value Fund SPC (Note 4)	Beneficial owner and interest in persons acting in concert	782,114,500 (L)	8.74
Saray Value SPV Asia I (Note 4)	Beneficial owner and interest in persons acting in concert	782,114,500 (L)	8.74
Shobokshi Hussam Ali H. (Note 4)	Interest of controlled corporations	782,114,500 (L)	8.74
FMR LLC (Note 5)	Interest of controlled corporation	469,451,000 (L)	5.25

*Notes:*

1. Shun Ho Property beneficially owned 2,709,729,423 Shares (30.29%) and was taken to be interested in 395,656,000 Shares (4.42%) held by Good Taylor Limited, 273,579,983 Shares (3.06%) held by South Point Investments Limited, 3,500,000 Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 Shares (33.29%) held by Fastgrow, representing a total of 6,360,663,987 Shares (71.09%). The above-mentioned companies were wholly-owned subsidiaries of Shun Ho Property.
2. Shun Ho Property is directly and indirectly owned as to 60.38% by Omnico, which was in turn owned as to 100% by Shun Ho Holdings, which was in turn directly owned as to 50.60% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, Shun Ho Holdings and Trillion Resources were taken to be interested in 6,360,663,987 Shares by virtue of their direct or indirect interests in Shun Ho Property.
3. Madam Liza Lee Pui Ling was deemed to be interested in 6,360,663,987 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

4. Saray Value SPV Asia I (“Saray Value SPV”) beneficially held 676,050,500 Shares (7.56%). Saray Value Fund SPC (“Saray Value Fund”) beneficially held 106,064,000 Shares (1.18%). Both Saray Value SPV and Saray Value Fund were wholly-owned subsidiaries of Saray Capital Limited. Therefore, Saray Value SPV had interest in persons acting in concert of 106,064,000 Shares held by Saray Value Fund. Saray Value Fund had interest in persons acting in concert of 676,050,500 Shares held by Saray Value SPV. Saray Capital Limited was held by Shobokshi Hussam Ali H. as to 35% and Hashim Majed Hashim A. as to 45%. Therefore, the total number of Shares in which Saray Value SPV, Saray Value Fund, Saray Capital Limited, Shobokshi Hussam Ali H. and Hashim Majed Hashim A. were interested under Sections 317 and 318 of SFO was 782,114,500 Shares (8.74%).

Saray Value SPV was held by North Salomon Limited as to 88.49% and Saray Value Fund was held by North Salomon Limited as to 75.04%. North Salomon Limited was held by Credit Suisse Trust Limited as to 100%. Therefore, the total number of Shares in which North Salomon Limited and Credit Suisse Trust Limited were interested under Sections 317 and 318 of SFO was 782,114,500 Shares (8.74%).

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

L: Long Position

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

## **INDEPENDENT REVIEW**

The interim results for the six months ended 30th June, 2020 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on page 16 of this interim report. The interim results and the interim report 2020 have also been reviewed by the Group’s Audit Committee.

## CORPORATE GOVERNANCE

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

During the six months ended 30th June, 2020, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

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

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

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

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

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

The terms of reference of the nomination committee adopted by the Company are in compliance with 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 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 six months ended 30th June, 2020.

**(c) Change in information of director**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of director of the Company, as notified to the Company, subsequent to the date of the 2019 Annual Report is set out below:

**Madam Ng Yuet Ying**

- appointed as an executive director of Shun Ho Property Investments Limited and Shun Ho Holdings Limited.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 19th August, 2020



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

## TO THE BOARD OF DIRECTORS OF MAGNIFICENT HOTEL INVESTMENTS LIMITED

華大酒店投資有限公司

*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Magnificent Hotel Investments Limited (the “Company”) and its subsidiaries set out on pages 17 to 42, which comprise the condensed consolidated statement of financial position as of 30th June, 2020 and the related condensed consolidated statement of profit or loss, consolidated statement of total comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
19th August, 2020

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2020**

	NOTES	Six months ended 30th June,	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3		
Contracts with customers		71,463	248,370
Leases		18,782	16,739
Dividend income		53	3,557
		<hr/>	<hr/>
Total revenue		90,298	268,666
Cost of sales		(238)	(2,123)
Other service costs		(80,354)	(143,203)
Depreciation of property, plant and equipment		(37,405)	(37,540)
Depreciation of right-of-use assets		(391)	(407)
		<hr/>	<hr/>
Gross (loss) profit		(28,090)	85,393
Decrease in fair value of investment properties		(116,429)	–
Other income and gains and losses		9,489	8,804
Administrative expenses		(19,113)	(18,698)
– Depreciation		(3,748)	(3,839)
– Others		(15,365)	(14,859)
Finance costs	5	(4,582)	(4,009)
(Loss) profit before taxation		(158,725)	71,490
Income tax credit (expense)	6	4,866	(13,891)
(Loss) profit for the period attributable to owners of the Company	7	<u>(153,859)</u>	<u>57,599</u>
		<b>HK cents</b>	<b>HK cents</b>
(Loss) earnings per share	9		
Basic		<u>(1.72)</u>	<u>0.64</u>

**CONDENSED CONSOLIDATED STATEMENT OF TOTAL  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2020*

	<b>Six months ended 30th June,</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
(Loss) profit for the period	<u>(153,859)</u>	<u>57,599</u>
<b>Other comprehensive (expense) income</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	(75,997)	8,404
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u>(76,024)</u>	<u>(1,413)</u>
Other comprehensive (expense) income for the period	<u>(152,021)</u>	<u>6,991</u>
Total comprehensive (expense) income attributable to owners of the Company	<u><u>(305,880)</u></u>	<u><u>64,590</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2020

	NOTES	As at 30th June, 2020 HK\$'000 (Unaudited)	As at 31st December, 2019 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	2,585,816	2,655,849
Right-of-use assets		25,595	26,481
Investment properties	11	1,382,890	1,097,900
Deposit paid for acquisition of an investment property		–	429,470
Equity instruments at fair value through other comprehensive income		<u>190,546</u>	<u>266,543</u>
		<u>4,184,847</u>	<u>4,476,243</u>
<b>CURRENT ASSETS</b>			
Inventories		1,014	1,172
Trade and other receivables	12	11,986	6,276
Other deposits and prepayments		10,858	8,422
Bank balances and cash		<u>390,674</u>	<u>82,502</u>
		<u>414,532</u>	<u>98,372</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	13	39,782	39,363
Rental and other deposits received		3,512	3,157
Contract liabilities		2,880	1,633
Amount due to immediate holding company	16(b)	24,563	27,808
Tax liabilities		5,680	20,648
Bank loans	14	<u>508,691</u>	<u>125,386</u>
		<u>585,108</u>	<u>217,995</u>
<b>NET CURRENT LIABILITIES</b>		<u>(170,576)</u>	<u>(119,623)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,014,271</u>	<u>4,356,620</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

AT 30TH JUNE, 2020

	<i>NOTES</i>	<b>As at 30th June, 2020 HK\$'000 (Unaudited)</b>	<b>As at 31st December, 2019 HK\$'000 (Audited)</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>841,926</b>	841,926
Reserves		<b><u>2,843,404</u></b>	<u>3,149,284</u>
<b>TOTAL EQUITY</b>		<b><u>3,685,330</u></b>	<u>3,991,210</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans	14	<b>238,664</b>	266,024
Rental deposits received		<b>230</b>	1,552
Deferred tax liabilities		<b><u>90,047</u></b>	<u>97,834</u>
		<b><u>328,941</u></b>	<u>365,410</u>
		<b><u><u>4,014,271</u></u></b>	<u><u>4,356,620</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2020**

	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i> <i>(Note a)</i>	Property revaluation reserve <i>HK\$'000</i> <i>(Note b)</i>	Securities revaluation reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note c)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2019 (audited)	<u>841,926</u>	<u>612,477</u>	<u>179</u>	<u>244,354</u>	<u>(51,759)</u>	<u>3,561</u>	<u>2,410,923</u>	<u>4,061,661</u>
Profit for the period	-	-	-	-	-	-	57,599	57,599
Fair value gain on equity instruments at fair value through other comprehensive income	-	-	-	8,404	-	-	-	8,404
Exchange differences arising on translation of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,413)</u>	<u>-</u>	<u>-</u>	<u>(1,413)</u>
Total comprehensive income (expense) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,404</u>	<u>(1,413)</u>	<u>-</u>	<u>57,599</u>	<u>64,590</u>
Final dividend paid for the year ended 31st December, 2018 <i>(note 8)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,335)</u>	<u>(58,335)</u>
At 30th June, 2019 (unaudited)	<u>841,926</u>	<u>612,477</u>	<u>179</u>	<u>252,758</u>	<u>(53,172)</u>	<u>3,561</u>	<u>2,410,187</u>	<u>4,067,916</u>
At 1st January, 2020 (audited)	<u>841,926</u>	<u>612,477</u>	<u>179</u>	<u>190,186</u>	<u>(34,380)</u>	<u>3,561</u>	<u>2,377,261</u>	<u>3,991,210</u>
Loss for the period	-	-	-	-	-	-	(153,859)	(153,859)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(75,997)	-	-	-	(75,997)
Exchange differences arising on translation of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,024)</u>	<u>-</u>	<u>-</u>	<u>(76,024)</u>
Total comprehensive expense for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,997)</u>	<u>(76,024)</u>	<u>-</u>	<u>(153,859)</u>	<u>(305,880)</u>
At 30th June, 2020 (unaudited)	<u>841,926</u>	<u>612,477</u>	<u>179</u>	<u>114,189</u>	<u>(110,404)</u>	<u>3,561</u>	<u>2,223,402</u>	<u>3,685,330</u>

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

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2020*

*Notes:*

- (a) The special capital reserve represents the difference arising from the reduction of the nominal value of the Company's shares in year 1999.
- (b) The property revaluation reserve is arisen from the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.
- (c) The other reserve represents the difference between the sales proceeds from the disposal of partial interest in a subsidiary and the reduction of interest in the carrying amounts of assets and liabilities of the subsidiary in previous years.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2020**

	<b>Six months</b>	
	<b>ended 30th June,</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash (used in) from operating activities	<u><b>(24,709)</b></u>	<u>122,068</u>
Net cash (used in) from investing activities		
Acquisition of property, plant and equipment	<b>(29,431)</b>	(3,085)
Proceeds from disposal of property, plant and equipment	<b>132</b>	21,587
Deposit paid for acquisition of property, plant and equipment	<u>–</u>	<u>(5,800)</u>
	<u><b>(29,299)</b></u>	<u>12,702</u>
Net cash from (used in) financing activities		
Interest paid	<b>(4,582)</b>	(4,009)
Bank loans raised	<b>384,430</b>	–
Repayment of bank loans	<b>(11,522)</b>	(51,900)
Dividend paid to shareholders	<b>(2,071)</b>	(60,404)
Repayment to immediate holding company	<u><b>(3,245)</b></u>	<u>(5,088)</u>
	<u><b>363,010</b></u>	<u>(121,401)</u>
Net increase in cash and cash equivalents	<b>309,002</b>	13,369
Cash and cash equivalents at the beginning of the period	<b>82,502</b>	499,169
Effect of foreign exchange rate changes	<u><b>(830)</b></u>	<u>(133)</u>
Cash and cash equivalents at the end of the period	<u><b>390,674</b></u>	<u>512,405</u>



# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2020*

## **1. BASIS OF PREPARATION**

Magnificent Hotel Investments 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 Company’s immediate and intermediate holding company are Shun Ho Property Investments Limited and Shun Ho Holdings Limited, respectively, both are public limited companies incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors of the Company consider the Company’s ultimate holding company to be Trillion Resources Limited, an international business company incorporated in the British Virgin Islands.

The condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), 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.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The financial information relating to the year ended 31st December, 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2019 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

## **1. BASIS OF PREPARATION (*Continued*)**

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

In preparing the condensed 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\$170,576,000 as at 30th June, 2020. 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 and available unutilised banking facilities. The immediate holding company has also agreed not to demand for repayment until the Group has the financial ability to do so. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

### **1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD**

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment, directly and indirectly affect the operations of the Group. To address negative impact arising from the pandemic, the Government of the Hong Kong Special Administrative Region (the "Government of the HKSAR") has announced some financial measures and supports for corporates. As a result of these factors, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue, change in fair value of investment properties and recognition of government grants in respect of Covid-19-related subsidies.

During the current interim period, the Group recognised government grants of HK\$7,457,000 in respect of Covid-19-related subsidies, of which amounted to HK\$4,207,000 related to Employment Support Scheme provided by the Government of the HKSAR and set off the relevant salary expenses.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2020 are the same as those followed and presented in the preparation of the Group’s financial statements for the year ended 31st December, 2019.

### **Application of amendments to HKFRSs**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1st January, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

## **2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***

### **Application of amendments to HKFRSs *(Continued)***

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

#### ***2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"***

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31st December 2020.

### 3. REVENUE

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

	<b>Six months ended 30th June,</b>	
	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Income from operation of hotels	<b>71,463</b>	248,370
Income from property rental	<b>18,782</b>	16,739
Dividend income	<b>53</b>	3,557
	<b><u>90,298</u></b>	<u>268,666</u>

Disaggregation of revenue for operation of hotels:

	<b>Six months ended 30th June,</b>	
	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Types of goods or services (time of revenue recognition):		
Room revenue and other ancillary services (recognised over time)	<b>70,171</b>	238,305
Food and beverage (recognised at a point in time)	<b>1,292</b>	10,065
	<b><u>71,463</u></b>	<u>248,370</u>

	<b>Six months ended 30th June,</b>	
	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Geographical markets:		
Hong Kong	<b>69,797</b>	240,220
The People's Republic of China (the "PRC")	<b>1,666</b>	8,150
	<b><u>71,463</u></b>	<u>248,370</u>

#### **4. SEGMENT INFORMATION**

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

1. Hospitality services – Best Western Plus Hotel Kowloon
2. Hospitality services – Best Western Plus Hotel Hong Kong
3. Hospitality services – Magnificent International Hotel, Shanghai
4. Hospitality services – Best Western Hotel Causeway Bay
5. Hospitality services – Ramada Hong Kong Harbour View
6. Hospitality services – Best Western Grand Hotel
7. Hospitality services – Grand City Hotel
8. Property investment – Shops, hotel and residential property
9. Securities investment

Information regarding the above segments reported below.

#### 4. SEGMENT INFORMATION (*Continued*)

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

	Segment revenue		Segment (loss) profit	
	Six months		Six months	
	ended 30th June,		ended 30th June,	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Hospitality services</b>	<b>71,463</b>	248,370	<b>(46,925)</b>	65,097
– Best Western Plus Hotel Kowloon	9,486	36,326	(10,352)	6,543
– Best Western Plus Hotel Hong Kong	15,582	43,122	(1,881)	16,424
– Magnificent International Hotel, Shanghai	1,666	8,150	(3,350)	11
– Best Western Hotel Causeway Bay	8,573	31,573	(8,139)	6,562
– Ramada Hong Kong Harbour View	14,387	51,823	(3,610)	18,981
– Best Western Grand Hotel	13,397	52,349	(15,058)	10,528
– Grand City Hotel	8,372	25,027	(4,535)	6,048
Property investment – Shops, hotel and residential property	18,782	16,739	(97,647)	16,739
Securities investment	53	3,557	53	3,557
	<u>90,298</u>	<u>268,666</u>	<u>(144,519)</u>	85,393
Other income and gains and losses			9,489	8,804
Administrative expenses			(19,113)	(18,698)
Finance costs			(4,582)	(4,009)
(Loss) profit before taxation			<u>(158,725)</u>	<u>71,490</u>

Segment (loss) profit represents the result of each segment without allocation of administration expenses, other income and gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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

#### 4. SEGMENT INFORMATION *(Continued)*

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

	As at <b>30th June,</b> <b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31st December, 2019 <i>HK\$'000</i> <i>(Audited)</i>
<b>Segment assets</b>		
Hospitality services	<b>2,515,367</b>	2,550,295
– Best Western Plus Hotel Kowloon	<b>267,382</b>	274,966
– Best Western Plus Hotel Hong Kong	<b>317,221</b>	317,628
– Magnificent International Hotel, Shanghai	<b>64,311</b>	67,053
– Best Western Hotel Causeway Bay	<b>309,817</b>	315,115
– Ramada Hong Kong Harbour View	<b>495,353</b>	497,931
– Best Western Grand Hotel	<b>676,848</b>	690,187
– Grand City Hotel	<b>384,435</b>	387,415
Property investment – Shops, hotel and residential property	<b>1,382,890</b>	1,527,370
Securities investment	<b>190,546</b>	267,872
Total segment assets	<b>4,088,803</b>	4,345,537
Unallocated assets	<b>510,576</b>	229,078
<b>Consolidated assets</b>	<b><u>4,599,379</u></b>	<b><u>4,574,615</u></b>



#### 4. SEGMENT INFORMATION *(Continued)*

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

	<b>As at 30th June, 2020 HK\$'000 (Unaudited)</b>	<b>As at 31st December, 2019 HK\$'000 (Audited)</b>
<b>Segment liabilities</b>		
Hospitality services	<b>30,442</b>	27,278
– Best Western Plus Hotel Kowloon	<b>5,334</b>	5,224
– Best Western Plus Hotel Hong Kong	<b>6,181</b>	4,242
– Magnificent International Hotel, Shanghai	<b>1,854</b>	1,458
– Best Western Hotel Causeway Bay	<b>3,411</b>	3,520
– Ramada Hong Kong Harbour View	<b>4,326</b>	4,467
– Best Western Grand Hotel	<b>5,401</b>	5,854
– Grand City Hotel	<b>3,935</b>	2,513
Property investment – Shops, hotel and residential property	<b>11,886</b>	11,899
Securities investment	<b>1</b>	2
Total segment liabilities	<b>42,329</b>	39,179
Unallocated liabilities	<b>871,720</b>	544,226
<b>Consolidated liabilities</b>	<b>914,049</b>	583,405

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

- all assets are allocated to operating and reportable segments other than the Group's head office corporate assets (including certain property, plant and equipment) and bank balances and cash; and
- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, amount due to immediate holding company, bank loans, tax liabilities and deferred tax liabilities.

## 5. FINANCE COSTS

	Six months ended 30th June,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interests on:		
Bank loans	3,816	4,009
Amount due to immediate holding company (note 16(b))	766	—
	<u>4,582</u>	<u>4,009</u>

## 6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30th June,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The taxation (credit) expense comprises:		
Current tax		
Hong Kong	34	10,941
The United Kingdom (the “UK”)	3,041	2,507
	<u>3,075</u>	<u>13,448</u>
(Over) underprovision in prior years		
Hong Kong	(285)	—
The UK	131	(102)
	<u>2,921</u>	<u>13,346</u>
Deferred tax	<u>(7,787)</u>	<u>545</u>
	<u>(4,866)</u>	<u>13,891</u>

## 6. INCOME TAX (CREDIT) EXPENSE (*Continued*)

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 2020 (six months ended 30th June, 2019: 16.5%).

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

No deferred tax liabilities on the temporary differences attributable to the undistributed retained profits earned by the Group's PRC subsidiary were charged to profit or loss for the six months ended 30th June, 2019 and 2020.

## 7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	391	407
Depreciation of property, plant and equipment	41,153	41,379
Interest on bank deposits ( <i>Note</i> )	(318)	(4,831)
Loss (gain) on disposal of property, plant and equipment ( <i>Note</i> )	7	(3,318)
	<u>7</u>	<u>(3,318)</u>

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

## **8. DIVIDEND**

During the six months ended 30th June, 2020, no final dividend was declared and paid to shareholders for the year ended 31st December, 2019 (six months ended 30th June, 2019: a final dividend of HK0.652 cent per share amounting to HK\$58,335,000 was declared and paid to shareholders for the year ended 31st December, 2018).

The directors have resolved not to declare or propose an interim dividend for the six months ended 30th June, 2020 (six months ended 30th June, 2019: HK0.08 cent per share amounting to HK\$7,158,000).

## **9. (LOSS) EARNINGS PER SHARE**

The calculation of the basic (loss) earnings per share is based on the loss for the period attributable to owners of the Company of HK\$153,859,000 (profit for the six months ended 30th June, 2019: HK\$57,599,000) and on 8,947,051,000 shares (six months ended 30th June, 2019: 8,947,051,000 shares) in issue during the period.

Diluted (loss) earnings per share for both periods are not presented as there are no potential ordinary shares outstanding during both periods.

## **10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30th June, 2020, the Group has acquired property, plant and equipment (8 Park St. James, St. James's Terrace, London to be registered address of Wood Street Hotel Limited in the UK) of HK\$29,431,000 (six months ended 30th June, 2019: HK\$3,085,000).

The Group has disposed of property, plant and equipment with carrying amount of HK\$139,000 (six months ended 30th June, 2019: HK\$18,269,000) during the period.

During the period, a building with a carrying amount of HK\$57,499,000 is transferred from property, plant and equipment to investment properties.

## 11. INVESTMENT PROPERTIES

Investment properties are stated at fair value based on the valuations performed by independent professional valuers which are not connected with the Group and the Directors of the Company. 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. During the assessment of the fair values of investment properties, the valuers and the Directors of the Company have exercised their judgement 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.

The investment properties of the Group with an aggregate carrying amount of approximately HK\$1,383 million (31st December, 2019: HK\$1,098 million) were rented out under operating leases at the end of the reporting period. Outgoing expenses for investment properties that are not generating income during the period are insignificant. The resulting loss on fair value changes of investment properties HK\$116,429,000 has been recognised directly in profit or loss for the six months ended 30th June, 2020 (six months ended 30th June, 2019: nil).

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

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

During the six months ended 30th June, 2020, a deposit paid for acquisition of an investment property (37 Wood Street, London) of HK\$429,470,000 was transferred to investment properties upon the completion of the acquisition.

## 12. TRADE AND OTHER RECEIVABLES

	As at <b>30th June,</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2019 <i>HK\$'000</i> <b>(Audited)</b>
Trade receivables from contracts with customers	<b>2,038</b>	3,408
Other receivables	<b>9,948</b>	2,868
	<b>11,986</b>	<b>6,276</b>

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 presented based on the invoice date at the end of the reporting period:

	As at <b>30th June,</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2019 <i>HK\$'000</i> <b>(Audited)</b>
Not yet due	<b>1,764</b>	3,362
Overdue:		
0 – 30 days	<b>52</b>	37
31 – 60 days	<b>108</b>	9
61 – 90 days	<b>114</b>	–
	<b>2,038</b>	<b>3,408</b>

### 13. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at <b>30th June,</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2019 <i>HK\$'000</i> <b>(Audited)</b>
Trade payables	<b>1,661</b>	2,392
Other payables and accruals	<b>38,121</b>	36,971
	<b><u>39,782</u></b>	<b><u>39,363</u></b>

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

	As at <b>30th June,</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2019 <i>HK\$'000</i> <b>(Audited)</b>
0 – 30 days	<b>1,484</b>	2,296
31 – 60 days	<b>34</b>	54
61 – 90 days	<b>143</b>	42
	<b><u>1,661</u></b>	<b><u>2,392</u></b>

## 14. BANK LOANS

	As at 30th June, 2020 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2019 <i>HK\$'000</i> (Audited)
Secured bank loans	<u>747,355</u>	<u>391,410</u>
The carrying amounts of bank loans are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	19,320	20,697
Within a period of more than one year but not exceeding two years	238,664	20,697
Within a period of more than two years but not exceeding five years	<u>–</u>	<u>245,327</u>
	<u>257,984</u>	<u>286,721</u>
The carrying amounts of bank loans that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	420,809	35,219
Within a period of more than one year but not exceeding two years	66,406	26,274
Within a period of more than two years but not exceeding five years	2,156	42,806
Within a period of more than five years	<u>–</u>	<u>390</u>
	<u>489,371</u>	<u>104,689</u>
	<u>747,355</u>	<u>391,410</u>
Amounts shown under current liabilities	508,691	125,386
Amounts shown under non-current liabilities	<u>238,664</u>	<u>266,024</u>
	<u>747,355</u>	<u>391,410</u>

All the Group's bank loans are floating rate borrowings. The bank loans are secured over certain of the Group's assets as disclosed in note 18. Effective interest rate is 1.34% per annum (31st December, 2019: 1.90% per annum).



## 15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares		
Issued and fully paid:		
At 1st January, 2019 (audited),		
30th June, 2019 (unaudited),		
31st December, 2019 (audited)		
and 30th June, 2020 (unaudited)	<u>8,947,051</u>	<u>841,926</u>

## 16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th June,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Shun Ho Property Investments Limited (the Company's immediate holding company) and its subsidiaries*</b>		
Short term lease payment ( <i>note a</i> )	550	1,161
Interest expenses ( <i>note b</i> )	766	–
Corporate management fee income for administrative facilities provided	1,342	1,548
Corporate management fee income for hotel operations services provided	–	419
Dividend paid/payable	–	46,559
Dividend received/receivable	–	3,393
<b>Shun Ho Holdings Limited (the Company's intermediate holding company)</b>		
Corporate management fee income for administrative facilities provided	75	75
Compensation of key management personnel ( <i>note c</i> )	<u>4,119</u>	<u>4,771</u>

\* exclude the Company and its subsidiaries

## **16. RELATED PARTY TRANSACTIONS *(Continued)***

*Notes:*

- (a) No commitment arised from the lease rental from the immediate holding company.
- (b) The amount due to immediate holding company was unsecured, carried interest at fixed rate 2% per annum and repayable on demand.
- (c) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

## **17. PROJECT/CAPITAL COMMITMENTS**

The Group had outstanding commitments contracted for but not provided in the condensed consolidated financial statements in respect of expenditure on property, plant and equipment amounted to HK\$1,363,000 (31st December, 2019: HK\$706,000).

## **18. PLEDGE OF ASSETS/REVENUE**

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

- (a) investment properties and property, plant and equipment of the Group with carrying amounts as at 30th June, 2020 of approximately HK\$948 million (31st December, 2019: HK\$1,098 million), and HK\$2,400 million (31st December, 2019: HK\$2,433 million), respectively;
- (b) pledge of shares in certain subsidiaries with an aggregate net asset value as at 30th June, 2020 of approximately HK\$558 million (31st December, 2019: HK\$729 million);
- (c) assignment of the Group's property rental of certain subsidiaries;
- (d) charge over deposits and securities of a subsidiary; and
- (e) assignment of insurance on a hotel property.

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30th June, 2020 <i>HK\$'000</i> (Unaudited)	31st December, 2019 <i>HK\$'000</i> (Audited)		
Equity instrument at fair value through other comprehensive income	190,546	266,543	Level 1	Quoted bid prices in an active market

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