



**SHUN HO PROPERTY
INVESTMENTS LIMITED**
順豪物業投資有限公司
(Stock Code: 219)

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

(appointed on 25th May, 2020)

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.shunho.com.hk

INTERIM RESULTS

The board of directors (the “Board”) of Shun Ho Property 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\$142 million (profit for the six months ended 30th June, 2019: HK\$91 million), decreased by HK\$233 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: HK1.95 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued with its commercial properties investment and property leasing, and through its major subsidiaries continued with the hotel investments and hotel management.

Loss for the period attributable to owners of the Company for the six months ended 30th June, 2020 was HK\$142 million (profit for the six months ended 30th June, 2019: HK\$91 million), decreased by HK\$233 million.

| | Six months ended | | Change |
|--|---|---|--------|
| | 30.6.2019 <i>HK\$'000</i> (unaudited) | 30.6.2020 <i>HK\$'000</i> (unaudited) | |
| Profit (loss) from operation of hotels | 64,655 | (64,692) | N/A |
| – Profit (loss) | 116,124 | (13,279) | |
| – Depreciation | (51,469) | (51,413) | |
| Profit (loss) from property investment | 83,354 | (105,920) | N/A |
| Income from securities investments | 163 | 53 | -67% |
| Other income and expenses and gains and losses | 8,788 | 10,128 | +15% |
| | 156,960 | (160,431) | N/A |
| Administrative expenses | (24,382) | (25,328) | +4% |
| Income tax expense | (24,715) | (3,401) | -86% |
| Profit (loss) after taxation | 107,863 | (189,160) | N/A |
| Non-controlling interests | (16,397) | 46,829 | N/A |
| Profit (loss) after taxation and non-controlling interests | <u>91,466</u> | <u>(142,331)</u> | 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

1. Hotel Business

The income from hotel operations of the Group amounted to HK\$85 million (six months ended 30th June, 2019: HK\$289 million), decreased by 71%.

The Group owns 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.

Loss for the period attributable to owners of Magnificent Hotel 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.

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

- For the six months ended 30th June, 2020, the **GROUP'S INCOME** of **Magnificent Hotel** 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 | 71,463 | -71% | Decrease in room rates and occupancies |
| Income from investment properties | 16,739 | 18,782 | +12% | Royal Scot Hotel, London and apartment leasing |
| Dividend income | 3,557 | 53 | -99% | Decrease in dividend received from stock investment |
| Other income | <u>8,804</u> | <u>9,489</u> | +8% | |
| Total | <u><u>277,470</u></u> | <u><u>99,787</u></u> | -64% | |

The total income for the Magnificent Hotel Group decreased by 64% from HK\$277 million to HK\$100 million for the same period compared with last year. During the period, the Group's hotel operating expenses were reduced by **HK\$72 million**.

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%.

2. 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\$85 million (six months ended 30th June, 2019: HK\$81 million).

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$21.0 million (six months ended 30th June, 2019: HK\$19.9 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 acquisition of Wood Street Hotel in London.

LIQUIDITY

- As at 30th June, 2020, the **OVERALL DEBTS** of the Group including Magnificent Hotel and its subsidiaries was HK\$1,270 million (31st December, 2019: HK\$907 million). The increase in overall debts was due to the increase in bank borrowings during the period 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\$914 million. The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) in terms of overall debts against funds employed was 16% (31st December, 2019: 11%).

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 570 employees (31st December, 2019: 698 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\$72 million (approximately 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 and other commercial properties remained almost fully letted but retail income properties suffer substantial rental reduction.

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 and 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 nine income producing hotels, seven 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.

Most of the tenants at the Group's 633 King's 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 quickly.

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 | Beneficial owner and interest of controlled corporations | Personal and corporate | 369,489,999 (Note) | 63.73% |

Note:

Omnico Company Inc., Mercury Fast Limited and Trillion Resources Limited beneficially owned 281,904,489 shares of the Company (the "Shares") (48.63%), 68,139,510 Shares (11.75%) and 17,736,000 Shares (3.06%) respectively. Mr. William Cheng Kai Man had controlling interests in these companies. In addition, Mr. William Cheng Kai Man beneficially owned 1,710,000 Shares (0.29%). All the above interests in the Shares are long position.

Associated corporations

| Name of director | Name of associated corporation | Capacity | Nature of interests | Number of Shares/ underlying Shares held | Approximate % of shareholding |
|-----------------------|--|--|------------------------|--|-------------------------------|
| William Cheng Kai Man | Magnificent Hotel Investments Limited ("Magnificent Hotel") (Note 1) | Interest of controlled corporations | Corporate | 6,360,585,437 | 71.09 |
| William Cheng Kai Man | Shun Ho Holdings Limited ("Shun Ho Holdings") (Note 2) | 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. Magnificent Hotel, the Company's subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Shun Ho Holdings, the Company's holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.
4. All the above interests in the shares of the associated corporations are long position.

An employee share option scheme of Magnificent Hotel, a subsidiary of the Company, was adopted at the extraordinary general meeting held on 14th November, 2013 and was amended at the annual general meeting held on 18th June, 2014 (the "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:

| Name of shareholder | Capacity | Number of Shares/ underlying Shares held | Approximate % of shareholding |
|---|--|---|----------------------------------|
| Mercury Fast Limited ("Mercury") | Beneficial owner | 68,139,510 | 11.75 |
| Magnificent Hotel (<i>Note 1</i>) | Interest of controlled corporation | 68,139,510 | 11.75 |
| Omnico Company Inc. ("Omnico") (<i>Note 2</i>) | Beneficial owner and interest of controlled corporations | 350,043,999 | 60.38 |
| Shun Ho Holdings (<i>Note 3</i>) | Interest of controlled corporations | 367,779,999 | 63.44 |
| Trillion Resources (<i>Note 3</i>) | Interest of controlled corporations | 367,779,999 | 63.44 |
| Liza Lee Pui Ling (<i>Note 4</i>) | Interest of spouse | 367,779,999 | 63.44 |
| Credit Suisse Trust Limited (<i>Note 5</i>) | Interest of controlled corporations | 63,379,591 | 10.93 |
| Hashim Majed Hashim A. (<i>Note 5</i>) | Interest of controlled corporations | 63,379,591 | 10.93 |
| North Salomon Limited (<i>Note 5</i>) | Interest of controlled corporations | 63,379,591 | 10.93 |
| Saray Capital Limited (<i>Note 5</i>) | Interest of controlled corporations | 63,379,591 | 10.93 |
| Saray Value Fund SPC (<i>Note 5</i>) | Beneficial owner and interest in persons acting in concert | 63,379,591 | 10.93 |

| Name of shareholder | Capacity | Number of Shares/ underlying Shares held | Approximate % of shareholding |
|-------------------------------------|--|---|----------------------------------|
| Saray Value SPV Asia I (Note 5) | Beneficial owner and interest in persons acting in concert | 63,379,591 | 10.93 |
| Shobokshi Hussam Ali H. (Note 5) | Interest of controlled corporations | 63,379,591 | 10.93 |

Notes:

- Mercury was a wholly-owned subsidiary of Magnificent Hotel.
- Omnico beneficially owned 281,904,489 Shares and was taken to be interested in 68,139,510 Shares held by Mercury which was owned as to 100% by Magnificent Hotel, which was in turn owned as to 71.09% by the Group, the Company was in turn directly and indirectly owned as to 60.38% by Omnico.
- Omnico was wholly-owned by Shun Ho Holdings, which was in turn directly and indirectly owned as to 71.20% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Shun Ho Holdings and Trillion Resources were taken to be interested in 367,779,999 Shares, representing 63.44% by virtue of their direct or indirect interests in Omnico and Shun Ho Holdings' another subsidiary which beneficially owned 17,736,000 Shares, representing 3.06%.
- Madam Liza Lee Pui Ling was deemed to be interested in 367,779,999 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
- Saray Value SPV Asia I ("Saray Value SPV") beneficially held 62,303,591 Shares. Saray Value Fund SPC ("Saray Value Fund") beneficially held 1,076,000 Shares. 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 1,076,000 Shares held by Saray Value Fund. Saray Value Fund had interest in persons acting in concert of 62,303,591 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 63,379,591 Shares.

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 63,379,591 Shares.

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.

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 13 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.

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 SHUN HO PROPERTY INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shun Ho Property Investments Limited (the “Company”) and its subsidiaries set out on pages 15 to 40, 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 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) |
|---|-------|--|--|
| Revenue | 3 | | |
| Contracts with customers | | 85,355 | 289,009 |
| Leases | | 85,269 | 81,025 |
| Dividend income | | <u>53</u> | <u>163</u> |
| Total revenue | | 170,677 | 370,197 |
| Cost of sales | | (247) | (2,253) |
| Other service costs | | (95,270) | (167,132) |
| Depreciation of property, plant and equipment | | (51,022) | (51,062) |
| Depreciation of right-of-use assets | | <u>(391)</u> | <u>(407)</u> |
| Gross profit | | 23,747 | 149,343 |
| (Decrease) increase in fair value of investment properties | | (184,229) | 10,000 |
| Other income and expenses and gains and losses | | 10,128 | 8,788 |
| Administrative expenses | | (25,328) | (24,382) |
| – Depreciation | | (4,370) | (4,460) |
| – Others | | (20,958) | (19,922) |
| Finance costs | 5 | <u>(10,077)</u> | <u>(11,171)</u> |
| (Loss) profit before taxation | | (185,759) | 132,578 |
| Income tax expense | 6 | <u>(3,401)</u> | <u>(24,715)</u> |
| (Loss) profit for the period | 7 | <u><u>(189,160)</u></u> | <u><u>107,863</u></u> |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | (142,331) | 91,466 |
| Non-controlling interests | | <u>(46,829)</u> | <u>16,397</u> |
| | | <u><u>(189,160)</u></u> | <u><u>107,863</u></u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| (Loss) earnings per share | 9 | | |
| Basic | | <u><u>(27.82)</u></u> | <u><u>17.88</u></u> |

**CONDENSED CONSOLIDATED STATEMENT OF TOTAL
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

| | Six months ended 30th June, | |
|---|--|-----------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| (Loss) profit for the period | <u>(189,160)</u> | <u>107,863</u> |
| Other comprehensive expense | | |
| Item that will not be reclassified to profit or loss | | |
| Fair value loss on equity instruments at fair value through other comprehensive income | (41,246) | (455) |
| Item that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation of foreign operations | <u>(76,024)</u> | <u>(1,413)</u> |
| Other comprehensive expense for the period | <u>(117,270)</u> | <u>(1,868)</u> |
| Total comprehensive (expense) income for the period | <u><u>(306,430)</u></u> | <u><u>105,995</u></u> |
| Total comprehensive (expense) income attributable to: | | |
| Owners of the Company | (225,698) | 90,139 |
| Non-controlling interests | <u>(80,732)</u> | <u>15,856</u> |
| | <u><u>(306,430)</u></u> | <u><u>105,995</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2020

| | NOTES | As at 30th June, 2020 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2019 <i>HK\$'000</i> (Audited) |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 3,687,770 | 3,772,036 |
| Right-of-use assets | | 25,595 | 26,481 |
| Investment properties | 11 | 5,154,490 | 4,937,300 |
| Deposit paid for acquisition of an investment property | | – | 429,470 |
| Equity instruments at fair value through other comprehensive income | | <u>71,983</u> | <u>113,229</u> |
| | | <u>8,939,838</u> | <u>9,278,516</u> |
| CURRENT ASSETS | | | |
| Inventories | | 1,166 | 1,352 |
| Trade and other receivables | 12 | 20,037 | 9,613 |
| Other deposits and prepayments | | 14,950 | 12,734 |
| Bank balances and cash | | <u>499,136</u> | <u>152,176</u> |
| | | <u>535,289</u> | <u>175,875</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables and accruals | 13 | 46,906 | 50,935 |
| Rental and other deposits received | | 8,818 | 10,098 |
| Contract liabilities | | 3,565 | 2,066 |
| Amount due to an intermediate holding company | 16(a) | 34,115 | 5,843 |
| Tax liabilities | | 15,405 | 39,934 |
| Bank loans | 14 | <u>585,950</u> | <u>203,153</u> |
| | | <u>694,759</u> | <u>312,029</u> |
| NET CURRENT LIABILITIES | | <u>(159,470)</u> | <u>(136,154)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>8,780,368</u> | <u>9,142,362</u> |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION – *continued***
AT 30TH JUNE, 2020

| | <i>NOTES</i> | As at 30th June, 2020 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2019 <i>HK\$'000</i> (Audited) |
|---|--------------|--|---|
| CAPITAL AND RESERVES | | | |
| Share capital | 15 | 1,084,887 | 1,084,887 |
| Reserves | | <u>5,794,891</u> | <u>6,020,589</u> |
| Equity attributable to owners of the Company | | 6,879,778 | 7,105,476 |
| Non-controlling interests | | <u>1,057,329</u> | <u>1,138,061</u> |
| TOTAL EQUITY | | <u>7,937,107</u> | <u>8,243,537</u> |
| NON-CURRENT LIABILITIES | | | |
| Bank loans | 14 | 650,247 | 697,682 |
| Rental deposits received | | 35,698 | 35,414 |
| Deferred tax liabilities | | <u>157,316</u> | <u>165,729</u> |
| | | <u>843,261</u> | <u>898,825</u> |
| | | <u><u>8,780,368</u></u> | <u><u>9,142,362</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 HK\$'000 | Capital reserve HK\$'000 (Note a) | Property revaluation reserve HK\$'000 (Note b) | Securities revaluation reserve HK\$'000 | General reserve HK\$'000 | Foreign currency translation reserve HK\$'000 | Own shares held by a subsidiary HK\$'000 (Note c) | Other reserve HK\$'000 (Note d) | Retained profits HK\$'000 | Sub-total HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
| At 1st January, 2019 (audited) | 1,084,887 | 4,181 | 50,186 | 62,874 | 263 | (39,168) | (12,271) | 498,660 | 5,482,721 | 7,132,333 | 1,156,104 | 8,288,437 |
| Profit for the period | - | - | - | - | - | - | - | - | 91,466 | 91,466 | 16,397 | 107,863 |
| Fair value loss on equity instruments at fair value through other comprehensive income | - | - | - | (323) | - | - | - | - | - | (323) | (132) | (455) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | (1,004) | - | - | - | (1,004) | (409) | (1,413) |
| Total comprehensive (expense) income for the period | - | - | - | (323) | - | (1,004) | - | - | 91,466 | 90,139 | 15,856 | 105,995 |
| Final dividend paid for the year ended 31st December, 2018 (note 8) | - | - | - | - | - | - | - | - | (25,478) | (25,478) | - | (25,478) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (16,864) | (16,864) |
| At 30th June, 2019 (unaudited) | 1,084,887 | 4,181 | 50,186 | 62,551 | 263 | (40,172) | (12,271) | 498,660 | 5,548,709 | 7,196,994 | 1,155,096 | 8,352,090 |
| At 1st January, 2020 (audited) | 1,084,887 | 4,181 | 50,186 | 41,805 | 263 | (26,813) | (12,271) | 498,660 | 5,464,578 | 7,105,476 | 1,138,061 | 8,243,537 |
| Loss for the period | - | - | - | - | - | - | - | - | (142,331) | (142,331) | (46,829) | (189,160) |
| Fair value loss on equity instruments at fair value through other comprehensive income | - | - | - | (29,322) | - | - | - | - | - | (29,322) | (11,924) | (41,246) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | (54,045) | - | - | - | (54,045) | (21,979) | (76,024) |
| Total comprehensive expense for the period | - | - | - | (29,322) | - | (54,045) | - | - | (142,331) | (225,698) | (80,732) | (306,430) |
| At 30th June, 2020 (unaudited) | 1,084,887 | 4,181 | 50,186 | 12,483 | 263 | (80,858) | (12,271) | 498,660 | 5,322,247 | 6,879,778 | 1,057,329 | 7,937,107 |

Notes:

- The capital reserve was created by capital reduction of the Company on 28th June, 1988.
- 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.
- The own shares held by a subsidiary represents the carrying amount of shares in the Company held by an entity at the time the entity 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 in previous years.

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

| | Six months ended 30th June, | |
|--|--|------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Net cash from operating activities | <u>12,195</u> | <u>196,144</u> |
| Net cash (used in) from investing activities | | |
| Acquisition of property, plant and equipment | (29,438) | (3,872) |
| Proceeds from disposal of property, plant and equipment | 132 | 21,587 |
| Deposit paid for acquisition of property, plant and equipment | – | (5,800) |
| Interest received | <u>416</u> | <u>–</u> |
| | <u>(28,890)</u> | <u>11,915</u> |
| Net cash from (used in) financing activities | | |
| Interest paid | (9,909) | (11,171) |
| Bank loan raised | 384,430 | – |
| Repayment of bank loans | (32,105) | (148,355) |
| Dividends paid to shareholders | (12,046) | (54,388) |
| Advances from an intermediate holding company | <u>34,115</u> | <u>–</u> |
| | <u>364,485</u> | <u>(213,914)</u> |
| Net increase (decrease) in cash and cash equivalents | 347,790 | (5,855) |
| Cash and cash equivalents at the beginning of the period | 152,176 | 582,651 |
| Effect of foreign exchange rate changes | <u>(830)</u> | <u>(133)</u> |
| Cash and cash equivalents at the end of the period, represented by bank balances and cash | <u>499,136</u> | <u>576,663</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

1. BASIS OF PREPARATION

Shun Ho Property 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 holding company is Omnico Company Inc., a wholly-owned subsidiary of Shun Ho Holdings Limited (“Shun Ho Holdings”, an intermediate holding company of the Company) which is a public limited company 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.

1. BASIS OF PREPARATION – *continued*

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.

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\$159,470,000 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 intermediate 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\$8,597,000 in respect of Covid-19-related subsidies, of which amounted to HK\$4,847,000 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:

| | Six months ended 30th June, | |
|---------------------------------|--|-----------------------|
| | 2020 | 2019 |
| | HK\$’000 | HK\$’000 |
| | (Unaudited) | (Unaudited) |
| Income from operation of hotels | 85,355 | 289,009 |
| Income from property rental | 85,269 | 81,025 |
| Dividend income | 53 | 163 |
| | <u>170,677</u> | <u>370,197</u> |

3. REVENUE – *continued*

Disaggregation of revenue for operation of hotels:

| | Six months ended 30th June, | |
|---|--------------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Types of goods or services (time of revenue recognition): | | |
| Room revenue and other ancillary services (recognised over time) | 83,991 | 278,795 |
| Food and beverage (recognised at a point in time) | 1,364 | 10,214 |
| | <u>85,355</u> | <u>289,009</u> |
| | | |
| | Six months ended 30th June, | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Geographical markets: | | |
| Hong Kong | 83,689 | 280,859 |
| The People's Republic of China (the "PRC") | 1,666 | 8,150 |
| | <u>85,355</u> | <u>289,009</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. Hospitality services – Ramada Hong Kong Grand View
9. Property investment – 633 King's Road
10. Property investment – Shun Ho Tower
11. Property investment – Shops, hotel and residential property
12. Securities investment

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION – *continued*

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

| | Segment revenue | | Segment (loss) profit | |
|---|--------------------------------|-----------------------|--------------------------------|-----------------------|
| | Six months ended 30th June, | | Six months ended 30th June, | |
| | 2020 | 2019 | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Hospitality services | 85,355 | 289,009 | (60,657) | 68,472 |
| – Best Western Plus Hotel Kowloon | 9,486 | 36,326 | (12,983) | 3,912 |
| – 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 |
| – Ramada Hong Kong Grand View | 13,892 | 40,639 | (11,101) | 6,006 |
| Property investment | 85,269 | 81,025 | (99,878) | 90,708 |
| – 633 King's Road | 56,102 | 52,183 | 15,347 | 61,965 |
| – Shun Ho Tower | 10,385 | 12,103 | (17,578) | 12,004 |
| – Shops, hotel and residential property | 18,782 | 16,739 | (97,647) | 16,739 |
| Securities investment | <u>53</u> | <u>163</u> | <u>53</u> | <u>163</u> |
| | <u>170,677</u> | <u>370,197</u> | <u>(160,482)</u> | <u>159,343</u> |
| Other income and expenses and gains and losses | | | 10,128 | 8,788 |
| Administrative expenses | | | (25,328) | (24,382) |
| Finance costs | | | (10,077) | (11,171) |
| (Loss) profit before taxation | | | <u>(185,759)</u> | <u>132,578</u> |

4. SEGMENT INFORMATION – *continued*

Segment (loss) profit represents the result of each segment without allocation of administrative expenses, other income and expenses 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.

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

| | As at 30th June, 2020 HK\$'000 (Unaudited) | As at 31st December, 2019 HK\$'000 (Audited) |
|--|---|---|
| Segment assets | | |
| Hospitality services | 3,558,758 | 3,607,091 |
| – Best Western Plus Hotel Kowloon | 356,729 | 366,943 |
| – Best Western Plus Hotel Hong Kong | 317,221 | 317,628 |
| – Magnificent International Hotel, Shanghai | 64,311 | 67,053 |
| – Best Western Hotel Causeway Bay | 309,817 | 315,115 |
| – Ramada Hong Kong Harbour View | 495,353 | 497,931 |
| – Best Western Grand Hotel | 676,848 | 690,187 |
| – Grand City Hotel | 384,435 | 387,415 |
| – Ramada Hong Kong Grand View | 954,044 | 964,819 |
| Property investment | 5,161,146 | 5,371,581 |
| – 633 King's Road | 2,985,897 | 3,024,436 |
| – Shun Ho Tower | 792,359 | 819,775 |
| – Shops, hotels and residential property | 1,382,890 | 1,097,900 |
| – Deposit paid for acquisition of an investment property | – | 429,470 |
| Securities investment | 71,983 | 113,229 |
| Total segment assets | 8,791,887 | 9,091,901 |
| Unallocated assets | 683,240 | 362,490 |
| Consolidated assets | 9,475,127 | 9,454,391 |

4. SEGMENT INFORMATION – *continued*

| | As at 30th June, 2020 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2019 <i>HK\$'000</i> (Audited) |
|---|---|--|
| Segment liabilities | | |
| Hospitality services | 34,162 | 31,063 |
| – Best Western Plus Hotel Kowloon | 5,334 | 5,224 |
| – Best Western Plus Hotel Hong Kong | 6,181 | 4,242 |
| – Magnificent International Hotel, Shanghai | 1,854 | 1,458 |
| – Best Western Hotel Causeway Bay | 3,411 | 3,520 |
| – Ramada Hong Kong Harbour View | 4,326 | 4,467 |
| – Best Western Grand Hotel | 5,401 | 5,854 |
| – Grand City Hotel | 3,935 | 2,513 |
| – Ramada Hong Kong Grand View | 3,720 | 3,785 |
| Property investment | 53,920 | 54,205 |
| – 633 King’s Road | 34,226 | 34,463 |
| – Shun Ho Tower | 7,808 | 7,843 |
| – Shops, hotel and residential property | 11,886 | 11,899 |
| Securities investment | <u>1</u> | <u>2</u> |
| Total segment liabilities | 88,083 | 85,270 |
| Unallocated liabilities | <u>1,449,937</u> | <u>1,125,584</u> |
| Consolidated liabilities | <u>1,538,020</u> | <u>1,210,854</u> |

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

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

5. FINANCE COSTS

| | Six months ended 30th June, | |
|--|--------------------------------|----------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Interests on: | | |
| Bank loans | 9,909 | 11,171 |
| Amount due to an intermediate holding company | <u>168</u> | <u>–</u> |
| | <u><u>10,077</u></u> | <u><u>11,171</u></u> |

6. INCOME TAX EXPENSE

| | Six months ended 30th June, | |
|--------------------------------------|--------------------------------|----------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| The taxation expense comprises: | | |
| Current tax | | |
| Hong Kong | 8,953 | 20,798 |
| The United Kingdom (the “UK”) | <u>3,041</u> | <u>2,507</u> |
| | 11,994 | 23,305 |
| (Over) underprovision in prior years | | |
| Hong Kong | (311) | – |
| The UK | <u>131</u> | <u>(102)</u> |
| | 11,814 | 23,203 |
| Deferred tax | <u>(8,413)</u> | <u>1,512</u> |
| | <u><u>3,401</u></u> | <u><u>24,715</u></u> |

6. INCOME TAX EXPENSE – *continued*

Hong Kong Profits Tax is recognised based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 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 | 55,392 | 55,522 |
| Interest on bank deposits (<i>Note</i>) | (416) | (4,955) |
| Loss (gain) on disposal of property, plant and equipment (<i>Note</i>) | <u>7</u> | <u>(3,318)</u> |

Note: The amounts are included in other income and expenses 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 HK4.98 cents per share amounting to HK\$25,478,000 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: HK1.95 cents per share amounting to HK\$9,976,000).

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the period attributable to the owners of the Company of HK\$142,331,000 (profit for the six months ended 30th June, 2019: HK\$91,466,000) and on 511,613,000 shares (six months ended 30th June, 2019: 511,613,000 shares) in issue during the period. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary of the Company.

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\$29,438,000 (six months ended 30th June, 2019: HK\$3,872,000).

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\$5,154,490,000 (31st December, 2019: HK\$4,937,300,000) were rented out under operating leases at the end of the reporting period. Outgoing expense for investment properties that are not generating income during the period are insignificant. The resulting loss on fair value changes of investment properties of HK\$184,229,000 has been recognised directly in profit or loss for the six months ended 30th June, 2020 (six months ended 30th June, 2019: gain on fair value changes of investment properties of HK\$10,000,000).

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

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

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 30th June, 2020 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2019 <i>HK\$'000</i> (Audited) |
|--|--|---|
| Trade receivables from contracts with customers | 2,584 | 4,246 |
| Lease receivables | 3,214 | 1,182 |
| Other receivables | <u>14,239</u> | <u>4,185</u> |
| | <u>20,037</u> | <u>9,613</u> |

Except for a credit period of 30 to 60 days granted to travel agencies and certain customers of the hotels, the Group does not allow any credit period to customers. The following is an aged analysis of the Group's trade receivables from contracts with customers and lease receivables presented based on the invoice date at the end of the reporting period:

| | As at 30th June, 2020 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2019 <i>HK\$'000</i> (Audited) |
|--------------|--|---|
| Not yet due | 5,524 | 5,378 |
| Overdue: | | |
| 0 – 30 days | 52 | 41 |
| 31 – 60 days | 108 | 9 |
| 61 – 90 days | <u>114</u> | <u>–</u> |
| | <u>5,798</u> | <u>5,428</u> |

13. TRADE AND OTHER PAYABLES AND ACCRUALS

| | As at 30th June, 2020 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2019 <i>HK\$'000</i> (Audited) |
|-----------------------------|---|---|
| Trade payables | 2,066 | 2,697 |
| Other payables and accruals | <u>44,840</u> | <u>48,238</u> |
| | <u>46,906</u> | <u>50,935</u> |

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

| | As at 30th June, 2020 <i>HK\$'000</i> (Unaudited) | As at 31st December, 2019 <i>HK\$'000</i> (Audited) |
|--------------|---|---|
| 0 – 30 days | 1,889 | 2,601 |
| 31 – 60 days | 34 | 54 |
| 61 – 90 days | <u>143</u> | <u>42</u> |
| | <u>2,066</u> | <u>2,697</u> |

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>1,236,197</u> | <u>900,835</u> |
| The carrying amounts of bank loans are repayable (based on scheduled repayment dates set out in the loan agreements): | | |
| Within one year | 59,470 | 60,847 |
| Within a period of more than one year but not exceeding two years | 278,814 | 60,847 |
| Within a period of more than two years but not exceeding five years | <u>371,433</u> | <u>636,835</u> |
| | <u>709,717</u> | <u>758,529</u> |
| The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable: | | |
| Within one year | 457,918 | 72,836 |
| 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>526,480</u> | <u>142,306</u> |
| | <u>1,236,197</u> | <u>900,835</u> |
| Amounts shown under current liabilities | 585,950 | 203,153 |
| Amounts shown under non-current liabilities | <u>650,247</u> | <u>697,682</u> |
| | <u>1,236,197</u> | <u>900,835</u> |

14. BANK LOANS – *continued*

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 1.86% per annum (31st December, 2019: 2.34% 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>579,753</u> | <u>1,084,887</u> |

At 30th June, 2020, the Company's 68,140,000 (31st December, 2019: 68,140,000) issued shares were held by a subsidiary of the Company. In accordance with the Hong Kong Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

16. RELATED PARTY TRANSACTIONS

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

| | Six months ended 30th June, | |
|--|--------------------------------|--------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Shun Ho Holdings Limited (the Company's intermediate holding company) and its subsidiaries* | | |
| Corporate management fee income for administrative facilities provided | 75 | 75 |
| Dividend paid/payable (<i>note a</i>) | – | 14,915 |
| Compensation of key management personnel (<i>note b</i>) | <u>7,682</u> | <u>8,422</u> |

* exclude the Company and its subsidiaries

Notes:

- (a) As at 31st December, 2019, the amount due to an intermediate holding company was unsecured, interest-free and repayable on 26th June, 2020. The advance was fully repaid during the six months ended 30th June, 2020.
- (b) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.

17. PROJECT/CAPITAL COMMITMENTS

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

18. PLEDGE OF ASSETS/REVENUE

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

- (a) investment properties and hotel properties of the Group with carrying amounts as at 30th June, 2020 of approximately HK\$3,928 million (31st December, 2019: HK\$4,118 million) and HK\$3,342 million (31st December, 2019: HK\$3,385 million), respectively;
- (b) pledge of shares in certain subsidiaries with an aggregate net asset value as at 30th June, 2020 of approximately HK\$4,377 million (31st December, 2019: HK\$4,558 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.

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 | 71,983 | 113,229 | 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.