SHUN HO PROPERTY INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 219)

2017 INTERIM RESULTS

RESULTS

The board of directors (the "Board") of Shun Ho Property Investments Limited (the "Company") announces that the **net profit after tax attributable to owners of the Company** before depreciation of land, property and equipment for the six months ended 30th June, 2017 was HK$266 million (six months ended 30th June, 2016: HK$171 million), increased by 56%. The unaudited consolidated results of the Group for the period, together with comparative figures for the previous period, are as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June, 2017

		Six months ended	
		30.6.2017	30.6.2016
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**291,638**	264,645
Cost of sales		**(2,261)**	(2,065)
Other service costs		**(126,375)**	(124,789)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		**(39,177)**	(37,239)
Gross profit		**123,825**	100,552
Increase in fair value of investment properties		**186,120**	87,776
Other income and expenses and gains and losses		**(18,974)**	1,916
Administrative expenses		**(22,878)**	(19,799)
- Depreciation		**(4,014)**	(3,685)
- Others		**(18,864)**	(16,114)
Finance costs	5	**(6,109)**	(4,557)
Profit before taxation		**261,984**	165,888
Income tax expense	6	**(18,135)**	(14,560)
Profit for the period	7	**243,849**	151,328

Condensed Consolidated Statement of Profit or Loss *(Continued)*
For the six months ended 30th June, 2017

	NOTE	**Six months ended** **30.6.2017** ***HK$'000*** **(unaudited)**	30.6.2016 *HK$'000* (unaudited)
Profit for the period attributable to:			
Owners of the Company		**234,889**	141,683
Non-controlling interests		**8,960**	9,645
		243,849	151,328
		HK cents	*HK cents*
Earnings per share	9		
Basic		**45.91**	27.69
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Total Comprehensive Income
For the six months ended 30th June, 2017

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**243,849**	151,328
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**50,314**	(30,406)
Fair value gain (loss) on available-for-sale investments	**13,411**	(31,979)
Other comprehensive income (expense) for the period	**63,725**	(62,385)
Total comprehensive income for the period	**307,574**	88,943
Total comprehensive income (expense) attributable to:		
Owners of the Company	**280,190**	97,333
Non-controlling interests	**27,384**	(8,390)
	307,574	88,943

Condensed Consolidated Statement of Financial Position

At 30th June, 2017

	NOTES	As at 30.6.2017 HK$'000 (unaudited)	As at 31.12.2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**2,854,653**	2,874,620
Prepaid lease payments for land		**28,519**	27,898
Investment properties		**4,122,080**	3,890,050
Properties under development		**64,944**	56,369
Available-for-sale investments		**184,825**	171,414
Deposit paid for acquisition of a subsidiary		**100,000**	-
		7,355,021	7,020,351
Current assets			
Inventories		**1,081**	1,067
Prepaid lease payments for land		**823**	795
Trade and other receivables	10	**19,615**	22,599
Other deposits and prepayments		**17,189**	9,155
Pledged bank deposits		**-**	446,587
Bank balances and cash		**946,282**	419,614
		984,990	899,817
Current liabilities			
Trade and other payables and accruals	11	**63,259**	35,596
Rental and other deposits received		**19,730**	25,524
Amount due to an intermediate holding company		**17,484**	5,420
Tax liabilities		**21,845**	4,427
Bank loans		**586,733**	809,271
		709,051	880,238
Net current assets		**275,939**	19,579
Total assets less current liabilities		**7,630,960**	7,039,930
Capital and reserves			
Share capital		**1,084,887**	1,084,887
Reserves		**4,969,207**	4,710,198
Equity attributable to owners of the Company		**6,054,094**	5,795,085
Non-controlling interests		**1,067,997**	1,055,175
Total equity		**7,122,091**	6,850,260
Non-current liabilities			
Bank loans		**315,902**	-
Rental deposits received		**36,996**	34,238
Deferred tax liabilities		**155,971**	155,432
		508,869	189,670
		7,630,960	7,039,930

Notes:

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 31st December, 2016 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, 2016 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2016.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time that are relevant for the preparation of the Group's condensed consolidation financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior interim periods and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE

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

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Income from operation of hotels	**213,450**	198,557
Income from property rental	**77,973**	62,467
Dividend income	**215**	3,621
	291,638	264,645

4. SEGMENT INFORMATION

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

1. Hospitality services - Best Western Plus Hotel Kowloon
2. Hospitality services - Best Western Plus Hotel Hong Kong
3. Hospitality services - Magnificent International Hotel, Shanghai
4. Hospitality services - Best Western Hotel Causeway Bay
5. Hospitality services - Best Western Hotel Harbour View
6. Hospitality services - Best Western Grand Hotel
7. Hospitality services - Grand City Hotel
8. Property investment - 633 King's Road
9. Property investment - Shun Ho Tower
10. Property investment - Shops
11. Property investment - Hotel
12. Securities investment

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION *(Continued)*

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

	Segment revenue Six months ended		Segment profit Six months ended	
	30.6.2017	30.6.2016	**30.6.2017**	30.6.2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Hospitality services	**213,450**	198,557	**47,281**	34,782
- Best Western Plus Hotel Kowloon	**27,927**	25,600	**1,413**	1,014
- Best Western Plus Hotel Hong Kong	**36,298**	32,924	**12,827**	7,935
- Magnificent International Hotel, Shanghai	**10,321**	10,378	**2,314**	1,729
- Best Western Hotel Causeway Bay	**28,263**	26,155	**5,199**	2,654
- Best Western Hotel Harbour View	**42,618**	38,148	**13,834**	10,710
- Best Western Grand Hotel	**46,927**	46,080	**7,802**	7,445
- Grand City Hotel	**21,096**	19,272	**3,892**	3,295
Property investment	**77,973**	62,467	**262,449**	149,925
- 633 King's Road	**49,570**	49,000	**188,230**	118,861
- Shun Ho Tower	**11,546**	11,154	**52,442**	28,751
- Shops	**1,464**	2,313	**1,464**	2,313
- Hotel	**15,393**	-	**20,313**	-
Securities investment	**215**	3,621	**215**	3,621
	291,638	264,645	**309,945**	188,328
Other income and expenses and gains and losses			**(18,974)**	1,916
Central administration costs and directors' emoluments			**(22,878)**	(19,799)
Finance costs			**(6,109)**	(4,557)
Profit before taxation			**261,984**	165,888

5. FINANCE COSTS

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on :		
Bank loans	**5,806**	4,533
Amount due to an intermediate holding company	**303**	15
Amount due to ultimate holding company	**-**	9
	6,109	4,557

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	**15,925**	14,072
The People's Republic of China ("PRC")	**526**	360
The United Kingdom ("UK")	**1,145**	-
	17,596	14,432
Underprovision in prior years		
Hong Kong	**-**	60
	17,596	14,492
Deferred tax	**539**	68
	18,135	14,560

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, 2017 (six months ended 30th June, 2016: 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.

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments for land	**411**	418
Depreciation of property, plant and equipment	**42,780**	40,506
Interest on bank deposits (Note)	**(1,441)**	(1,384)
Loss on disposal of property, plant and equipment (Note)	**254**	104
Exchange loss (Note)	**21,094**	-

Note: The amount is included in other income and expenses and gains and losses.

8. DIVIDEND

During the six months ended 30th June, 2017, a final dividend of HK4.14 cents per share amounting to HK$21,181,000 was declared and payable to shareholders for the year ended 31st December, 2016 (six months ended 30th June, 2016: a final dividend of HK4.8 cents per share amounting to HK$24,557,000 was paid to shareholders for the year ended 31st December, 2015).

The interim dividend in respect of the six months ended 30th June, 2017 of HK1.86 cents per share amounting to HK$9,516,000 has been declared by the Board (six months ended 30th June, 2016: HK1.86 cents per share amounting to HK$9,516,000).

The distribution has been excluded 68,140,000 shares held by a subsidiary of the Group.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK$234,889,000 (six months ended 30th June, 2016: HK$141,683,000) and on 511,613,000 shares (six months ended 30th June, 2016: 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.

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

10. TRADE AND OTHER RECEIVABLES

	As at 30.6.2017	As at 31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Analysed for reporting as:		
Trade receivables	**13,155**	19,917
Other receivables	**6,460**	2,682
	19,615	22,599

10. TRADE AND OTHER RECEIVABLES (*Continued)*

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

	As at 30.6.2017 *HK$'000* **(unaudited)**	As at 31.12.2016 *HK$'000* (audited)
Not yet due	**13,097**	18,974
Overdue:		
0 - 30 days	**51**	758
31 - 60 days	**6**	179
61 - 90 days	**1**	6
	13,155	19,917

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30.6.2017 *HK$'000* **(unaudited)**	As at 31.12.2016 *HK$'000* (audited)
Analysed for reporting as:		
Trade payables	**3,441**	3,194
Dividend payable	**29,766**	6,087
Other payables and accruals (note)	**30,052**	26,315
	63,259	35,596

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 30.6.2017 *HK$'000* **(unaudited)**	As at 31.12.2016 *HK$'000* (audited)
0 - 30 days	**2,672**	2,291
31 - 60 days	**207**	64
61 - 90 days	**562**	839
	3,441	3,194

Note: Other payables and accruals include construction costs payable of HK$357,000 (31st December, 2016: HK$644,000).

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK1.86 cents per share for the six months ended 30th June, 2017 (six months ended 30th June, 2016: HK1.86 cents per share) and will be payable on Thursday, 28th June, 2018 to shareholders whose names appear on the register of members of the Company on Friday, 15th June, 2018. The dividend payout ratio based on the recurring profit is 26%.

BOOK CLOSURE

The register of members will be closed from Tuesday, 12th June, 2018 to Friday, 15th June, 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 11th June, 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued with its operations of commercial properties investment and leasing and through its major subsidiaries continued with its operations of hotels investments and operations.

The net profit after tax attributable to the owners of the Company before depreciation of land, property and equipment for the six months ended 30th June, 2017 was HK$266 million (six months ended 30th June, 2016: HK$171 million), increased by 56%.

PERFORMANCE

Hotel Business

The Group owns 71.09% of Magnificent Hotel Investments Limited (“Magnificent Hotel”) as its hotel investment subsidiary. The Group and Magnificent Hotel presently owns and operates nine hotels, including: (1) Best Western Plus Hotel Kowloon, (2) Best Western Plus Hotel Hong Kong, (3) Best Western Grand Hotel, (4) Best Western Hotel Causeway Bay, (5) Best Western Hotel Harbour View, (6) Grand City Hotel, (7) Magnificent International Hotel, Shanghai, (8) Royal Scot Hotel in London and (9) Grand View Hotel with 2,357 rooms in Hong Kong and Shanghai which is one of the largest hotel groups in Hong Kong.

During the period, the Group acquired Newton Inn at 88 Chun Yeung Street, North Point, Hong Kong. The Property comprises 30 storeys and 317 guest rooms with food and beverage and swimming pool facilities and 3 retail shops. The hotel has commenced business on the 19th August, 2017 and is renamed as Grand View Hotel and is managed by a wholly subsidiary of the Magnificent Hotel.

The net profit after tax attributable to the owners of Magnificent Hotel before exchange adjustment, revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2017 was HK$78.0 million (six months ended 30th June, 2016: HK$60.5 million), increased by 29%. The income from operation of hotels amounted to HK$213.5 million (six months ended 30th June, 2016: HK$198.6 million), increased by 8%. The average occupancy in the Group's Hong Kong hotels was 99.6% and the average room rate was HK$584.

The major reason for the above increase was due to increase in room rates.

The exchange adjustment was made mainly because at the time of borrowing sterling for the acquisition of Royal Scot Hotel in London as at 30th June 2016, the exchange rate as at that time was HK$10.43:£1. Eventual loan repayment is expected also in sterling, therefore, there was no future exchange rate risk exposure. However, due to accounting policy, adjustment had to be made regarding fluctuation of exchange rate even loan repayment is expected in sterling. At the year end of 2016, a profit of HK$29 million resulted/announced due to depreciation of sterling from HK$10.43:£1 to HK$9.55:£1. Subsequently as at 30th June 2017, sterling rebounded from HK$9.55:£1 to HK$10.155:£1 leading to exchange adjustment of HK$21 million.

Commercial Properties Rental Income

The properties rental income was derived from the hotel property in UK, 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$78 million (six months ended 30th June, 2016: HK$62 million).

The properties rental income was analysed as follows:

	2016	**2017**		Change
	HK$'000	***HK$'000***		
633 King's Road	49,000	**49,570**		+1.16%
Shun Ho Tower	11,154	**11,546**	*(Note)*	+3.51%
Shops	2,313	**1,464**		-36.71%
Royal Scot Hotel	-	**15,393**		N/A
Total	62,467	**77,973**		+24.82%

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

The shops income decreased because the Best Western Plus Hotel Kowloon has been undergoing renovation to add approximately 40 hotel rooms and is expected to be completed in 2017.

- During the period, the administrative expenses excluding depreciation was HK$18.9 million (six months ended 30th June, 2016: HK$16.1 million), representing cost for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses. The higher administrative expenses were due to the legal fee incurred for the abandon purchase of Rosswood Hotel Georgia and the legal cost for the arrangement of the loan in sterling.

LIQUIDITY

- As at 30th June, 2017, the overall debt of the Group including Magnificent Hotel and its subsidiaries was HK$920 million (31st December, 2016: HK$815 million). The debt ratio was 7% (31st December, 2016: 6%) in terms of overall debts of HK$920 million (31st December, 2016: HK$815 million) against the fully revalued assets of the Group amounted to HK$13,613 million (31st December, 2016: HK$13,145 million). The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) was approximately 13% (31st December, 2016: 12%).

  The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group exposes to exchange risk and management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

As at 30th June, 2017, the Group's staffing level did not have material change when compared with that of 31st December, 2016. Remuneration and benefit were set with reference to the market.

LOOKING AHEAD

- Magnificent Hotel will continue its business of hotel operations and will seek to acquire more hotel incomes by acquisition of hotel properties or serviced apartment hotels. Looking ahead, the hotel industry will continue to improve modestly.

- The Company will continue its management and investment of 633 King's Road, Shun Ho Towers, Ice House Street and the income from the investment of Grand View Hotel managed by Magnificent Hotel.

- Overall the short term prospect of the Group's earning will benefit from the modest improvement of hotel industry and commercial rent. The management will endeavor to seek revenue growth from acquisition of income producing properties while maintaining LOW gearing.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the period ended 30th June, 2017, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

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

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

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

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

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

The terms of reference of the nomination committee adopted by the Company are in compliance with the code provision A.5.2 except that it is not the duty of the nomination committee to select individuals nominated for directorships. The nomination committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duty should be performed by the board.

Code Provision B.1.2: the remuneration committee's terms of reference should include, as a minimum, paragraphs (a) to (h)

The terms of reference of the remuneration committee adopted by the Company are in compliance with the code provision B.1.2 except that it is not the duties of the remuneration committee to approve the management's remuneration proposals, compensation payable to executive directors and senior management for any loss or termination of office or appointment and compensation arrangements relating to dismissal or removal of directors for misconduct. The remuneration committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duties should be performed by the board.

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the period.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2017.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 29th August, 2017

As at the date hereof, the Board comprises seven Directors, of which three are Executive Directors, namely Mr. William Cheng Kai Man, Mr. Albert Hui Wing Ho and Madam Kimmy Lau Kam May; one is Non-executive Director, Madam Mabel Lui Fung Mei Yee; and three are Independent Non-executive Directors, namely Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Lam Kwai Cheung.