



SHUN HO PROPERTY INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 219)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

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 property, plant and equipment and release of prepaid lease payments for land for the year ended 31st December, 2018 was HK\$688 million (2017: HK\$867 million), decreased by 21%. The audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year, together with comparative figures for the previous year, are as follows:

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Revenue	3	787,132	671,557
Cost of sales		(4,687)	(4,694)
Other service costs		(303,781)	(263,497)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(98,597)</u>	<u>(87,984)</u>
Gross profit		380,067	315,382
Increase in fair value of investment properties		432,450	669,900
Other income and expenses and gains and losses		13,334	(15,540)
Administrative expenses		(52,911)	(53,634)
- Depreciation		(8,454)	(8,088)
- Others		(44,457)	(45,546)
Finance costs	5	<u>(32,769)</u>	<u>(19,994)</u>
Profit before taxation	6	740,171	896,114
Income tax expense	7	<u>(56,791)</u>	<u>(48,030)</u>
Profit for the year		<u><u>683,380</u></u>	<u><u>848,084</u></u>

Consolidated Statement of Profit or Loss (Continued)
For the year ended 31st December, 2018

	<i>NOTE</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		604,054	793,515
Non-controlling interests		<u>79,326</u>	<u>54,569</u>
		<u>683,380</u>	<u>848,084</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		<u>118.1</u>	<u>155.1</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Total Comprehensive Income
For the year ended 31st December, 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year	<u>683,380</u>	<u>848,084</u>
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss		
Fair value loss on equity instruments at fair value through other comprehensive income	(30,233)	-
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	(41,941)	75,068
Fair value gain on available-for-sale investments	<u>-</u>	<u>3,581</u>
Other comprehensive (expense) income for the year	<u>(72,174)</u>	<u>78,649</u>
Total comprehensive income for the year	<u>611,206</u>	<u>926,733</u>
Total comprehensive income attributable to:		
Owners of the Company	552,744	849,427
Non-controlling interests	<u>58,462</u>	<u>77,306</u>
	<u>611,206</u>	<u>926,733</u>

Consolidated Statement of Financial Position
At 31st December, 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-Current Assets			
Property, plant and equipment		3,833,997	3,820,845
Prepaid lease payments for land		27,105	29,528
Investment properties		5,016,500	4,638,300
Properties under development		-	74,157
Available-for-sale investments		-	174,995
Equity instruments at fair value through other comprehensive income		<u>142,867</u>	<u>-</u>
		<u>9,020,469</u>	<u>8,737,825</u>
Current Assets			
Inventories		1,459	1,240
Prepaid lease payments for land		815	862
Trade and other receivables	10	31,980	30,511
Other deposits and prepayments		12,776	10,549
Bank balances and cash		<u>582,651</u>	<u>901,569</u>
		<u>629,681</u>	<u>944,731</u>
Current Liabilities			
Trade and other payables and accruals	11	36,222	35,865
Rental and other deposits received		22,616	14,062
Contract liabilities		5,031	-
Amount due to an intermediate holding company		5,827	5,420
Amount due to ultimate holding company		-	2,502
Tax liabilities		16,414	11,573
Bank loans		<u>272,850</u>	<u>536,969</u>
		<u>358,960</u>	<u>606,391</u>
Net Current Assets		<u>270,721</u>	<u>338,340</u>
Total Assets less Current Liabilities		<u>9,291,190</u>	<u>9,076,165</u>
Capital and Reserves			
Share capital		1,084,887	1,084,887
Reserves		<u>6,047,446</u>	<u>5,528,928</u>
Equity attributable to owners of the Company		7,132,333	6,613,815
Non-controlling interests		<u>1,156,104</u>	<u>1,115,928</u>
Total Equity		<u>8,288,437</u>	<u>7,729,743</u>
Non-Current Liabilities			
Bank loans		810,674	1,155,604
Rental deposits received		28,557	32,160
Deferred tax liabilities		<u>163,522</u>	<u>158,658</u>
		<u>1,002,753</u>	<u>1,346,422</u>
		<u>9,291,190</u>	<u>9,076,165</u>

Notes:

1. GENERAL

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

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

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

The financial information relating to the years ended 31st December, 2018 and 2017 included in this preliminary announcement of annual results 2018 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st December, 2018 in due course.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies.

3. REVENUE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Income from operation of hotels	625,881	513,264
Income from property rental	160,938	157,918
Dividend income	<u>313</u>	<u>375</u>
	<u><u>787,132</u></u>	<u><u>671,557</u></u>

4. SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 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. Hospitality services - Grand View Hotel
9. Property investment - 633 King's Road
10. Property investment - Shun Ho Tower
11. Properties investment - Shops and Hotel
12. Securities investment

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

	Segment revenue		Segment profit	
	Year ended 31 st December,		Year ended 31 st December,	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hospitality services	625,881	513,264	219,344	159,356
- Best Western Plus Hotel Kowloon	69,763	62,232	13,756	9,547
- Best Western Plus Hotel Hong Kong	90,715	81,600	42,144	35,215
- Magnificent International Hotel, Shanghai	19,969	22,857	3,334	6,741
- Best Western Hotel Causeway Bay	72,108	64,922	24,725	19,384
- Best Western Hotel Harbour View	113,247	97,048	53,433	41,028
- Best Western Grand Hotel	117,884	106,054	38,959	28,629
- Grand City Hotel	56,354	49,031	21,996	16,161
- Grand View Hotel	85,841	29,520	20,997	2,651
Properties investment	160,938	157,918	592,860	825,551
- 633 King's Road	101,516	100,365	371,221	558,563
- Shun Ho Tower	24,660	23,329	89,127	182,564
- Shops and Hotel	34,762	34,224	132,512	84,424
Securities investment	313	375	313	375
	<u>787,132</u>	<u>671,557</u>	<u>812,517</u>	<u>985,282</u>
Other income and expenses and gains and losses			13,334	(15,540)
Central administration costs and directors' emoluments			(52,911)	(53,634)
Finance costs			<u>(32,769)</u>	<u>(19,994)</u>
Profit before taxation			<u>740,171</u>	<u>896,114</u>

Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and the United Kingdom (the "UK").

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

	2018	2017
	HK\$'000	HK\$'000
Hong Kong	735,004	617,200
The PRC	19,969	22,857
The UK	<u>32,159</u>	<u>31,500</u>
	<u>787,132</u>	<u>671,557</u>

5. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interests on :		
Bank loans	32,769	19,346
Amount due to an intermediate holding company	-	646
Amount due to ultimate holding company	<u>-</u>	<u>2</u>
	<u>32,769</u>	<u>19,994</u>

6. PROFIT BEFORE TAXATION

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	3,682	3,662
Staff costs including directors' emoluments	217,096	185,371
Depreciation of property, plant and equipment	106,236	95,210
Loss on disposal of property, plant and equipment	101	42
Release of prepaid lease payments for land	815	862
Operating lease rental in respect of rented equipment	1,531	1,577
Gross rental income from investment properties	(160,938)	(157,918)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u>528</u>	<u>2,266</u>
	<u>(160,410)</u>	<u>(155,652)</u>

7. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The taxation charge comprises:		
Current tax		
Hong Kong	46,089	38,755
The PRC	733	1,605
The UK	<u>5,262</u>	<u>4,650</u>
	52,084	45,010
Overprovision in prior years		
Hong Kong	(95)	(206)
The UK	<u>(62)</u>	<u>-</u>
	51,927	44,804
Deferred tax		
Current year	<u>4,864</u>	<u>3,226</u>
	<u>56,791</u>	<u>48,030</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDEND

Dividend recognised as distribution during the year:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Final dividend in respect of the year ended 31 st December, 2017 of HK4.74 cents (2017: Final dividend in respect of the year ended 31 st December, 2016 of HK4.14 cents) per share was paid to shareholders	24,250	21,181
Interim dividend in respect of the six months ended 30 th June, 2018 of HK1.95 cents (2017: Interim dividend in respect of the six months ended 30 th June, 2017 of HK1.86 cents) per share payable to shareholders	<u>9,976</u>	<u>9,516</u>
	<u>34,226</u>	<u>30,697</u>

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

The final dividend in respect of the year ended 31st December, 2018 of the HK4.98 cents per share, amounting to HK\$25,478,000 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK\$604,054,000 (2017: HK\$793,515,000) and on weighted average number of ordinary shares of 511,613,000 shares (2017: 511,613,000 shares) in issue during the year. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary.

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

10. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	24,604	26,413
Other receivables	<u>7,376</u>	<u>4,098</u>
	<u>31,980</u>	<u>30,511</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Not yet due	23,385	25,489
Overdue:		
0-30 days	1,057	865
31-60 days	119	57
61-90 days	<u>43</u>	<u>2</u>
	<u>24,604</u>	<u>26,413</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2018 HK\$'000	2017 <i>HK\$'000</i>
Trade payables	4,072	4,163
Other payables and accruals (Note)	<u>32,150</u>	<u>31,702</u>
	<u>36,222</u>	<u>35,865</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:

	2018 HK\$'000	2017 <i>HK\$'000</i>
0-30 days	3,979	3,776
31-60 days	72	378
61-90 days	<u>21</u>	<u>9</u>
	<u>4,072</u>	<u>4,163</u>

Note: As at 31st December, 2018, other payables and accruals include construction costs payable of HK\$1,100,000 (2017: HK\$2,502,000).

DIVIDEND

A total dividend including both interim dividend and final dividend is HK6.93 cents per share (2017: HK6.6 cents per share) will be payable to shareholders whose names appear on the register of members of the Company on 14th June, 2019. The Board recommends the payment of a final dividend of HK4.98 cents per share for the year ended 31st December, 2018 (2017: HK4.74 cents per share) and will be payable on 27th June, 2019 to shareholders whose names appear on the register of members of the Company on 14th June, 2019. With reference to the announcement of 2018 interim results of the Company dated 17th August, 2018, shareholders are reminded that an interim dividend of HK1.95 cents per share for the six months ended 30th June, 2018 is also payable on 27th June, 2019 to shareholders whose names appear on the register of members of the Company on 14th June, 2019. Therefore, shareholders whose names appear on the register of members of the Company on 14th June, 2019 will receive dividends for a total sum of HK6.93 cents per share (2017: HK6.6 cents per share), increased by 5%.

For 2018, the annual dividend to be received by shareholders was equivalent to 2% annual yield of the closing price of the Company's share immediately before the date of results announcement.

BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on Monday, 27th May, 2019 ("AGM"), the register of members will be closed from Tuesday, 21st May, 2019 to Monday, 27th May, 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 20th May, 2019.

Subject to the approval of the shareholders at the AGM for the proposed final dividend, the register of members of the Company will be closed from Wednesday, 12th June, 2019 to Friday, 14th June, 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Company's Share Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11th June, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year 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.

The net profit after tax attributable to the owners of the Company before depreciation of land, property and equipment for the year ended 31st December, 2018 was HK\$688,000,000 (2017: HK\$867,000,000), decreased by 21%. It was mainly due to the decrease in revaluation profit of investment properties from HK\$669,900,000 to HK\$432,450,000. However, the profit from hotel operations of the Group amounted to HK\$199 million (2017: HK\$148 million), increased by 34%.

	2017 HK\$'000	2018 HK\$'000	Change
Revaluation profit of investment properties	669,900	432,450	-35%
Profit from operation of hotels	148,376	199,456	+34%
Commercial properties rental net income	146,637	147,529	+1%
Income from securities investments	375	313	-17%
Other income and expenses and gains and losses	<u>(15,540)</u>	<u>13,334</u>	
	949,748	793,082	-16%
Administrative expenses	(53,634)	(52,911)	-1%
Income tax expense	<u>(48,030)</u>	<u>(56,791)</u>	+18%
Profit after taxation	848,084	683,380	-19%
Non-controlling interests	<u>(54,569)</u>	<u>(79,326)</u>	+45%
Profit after taxation and non-controlling interests	793,515	604,054	-24%
Add: Properties depreciation and release of prepaid lease payments for land attributable to owner of the Company	<u>73,198</u>	<u>84,349</u>	+15%
Net profit after tax attributable to owner of the Company before properties depreciation and release of prepaid lease payments for land	866,713	688,403	-21%

PERFORMANCE

Hotel Business

The Group owns 100% of Grand View Hotel. The performance of Grand View Hotel for the year was impressive with 100% occupancy and is expected to continue for the coming year. Application for office re-development of Grand View Hotel has been approved. Following the approval of office re-development of Grand View Hotel, the valuation of the property became in excess of HK\$2,000 million (more than doubling the acquisition cost in one year).

The Group owns 71.09% of Magnificent Hotel Investments Limited (“Magnificent Hotel”) as its hotel investment subsidiary. The Group and Magnificent Hotel presently owns nine hotels, (1) Ramada Hong Kong Harbour View, (2) Best Western Plus Hotel Kowloon, (3) Best Western Plus Hotel Hong Kong, (4) Best Western Grand Hotel, (5) Best Western Hotel Causeway Bay, (6) Grand City Hotel, (7) Grand View Hotel, (8) Magnificent International Hotel, Shanghai and (9) Royal Scot Hotel in London. The nine hotels have about 2,821 guest rooms and the Group is one of the largest hotel groups in Hong Kong.

The net profit after tax attributable to owners of Magnificent Hotel before revaluation gain of investment properties and depreciation of land, property and equipment for the year ended 31st December, 2018 was HK\$241 million (2017: HK\$202 million), increased by 19%. The hotel revenue of Magnificent Hotel increased by 12% with profit from hotel operations increased by 26%. The average occupancy in the Group’s Hong Kong hotels was 99% and the average room rate was HK\$751. The major reason for the above increase was due to increase in room rates.

Commercial Properties Rental Income

The commercial 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\$161 million (2017: HK\$158 million).

The commercial properties rental income was analysed as follows:

	2017 HK\$’000	2018 HK\$’000	Change
Royal Scot Hotel	31,500	32,159	+2%
633 King’s Road	100,365	101,516	+1%
Shun Ho Tower	23,329	24,660	+6% (Note)
Shops	<u>2,724</u>	<u>2,603</u>	-5%
Total	157,918	160,938	+2%

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

- During the year, the commercial building at 633 King’s Road and Shun Ho Tower were almost fully occupied. The increase of office building rental was due to the renewal of leases during the year. The decrease of shop rental was due to the expiry of the tenancy of ground floor of Best Western Plus Hotel Kowloon.
- During the year, the administrative expenses excluding depreciation was HK\$44 million (2017: HK\$46 million), representing cost for corporate management office including directors’ fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.



Grand View Hotel

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
2018 Avg Room Occupancy (%)	100	100	100	100	100	100	100	100	100	100	100	100	100
Avg Room Rate (HK\$)	564	586	583	754	495	517	586	695	591	883	927	882	672

- The 2018 full year **total income** was HK\$85,841,000 (from August to December 2017: HK\$29,520,000), increased by **+191%**.
- The 2018 full year **net operating income** was HK\$41,946,000 (from August to December 2017: HK\$12,800,000), increased by **+228%**.
- Under the leadership of our Chairman, Mr. William Cheng, Grand View Hotel during the year obtained the approval for potential re-development plan and subsequently the hotel property achieved substantial increase in valuation.
- The hotel will be re-branded to the 4 star brand of **RAMADA HONG KONG GRAND VIEW** from 3rd May, 2019.

MAGNIFICNET HOTEL INVESTMENTS LIMITED



Best Western Plus
Hotel Kowloon



Ramada Hong Kong
Harbour View



Best Western Plus
Hotel Hong Kong



Best Western
Grand Hotel



Best Western Hotel
Causeway Bay



Grand City Hotel



Royal Scot Hotel
London



Magnificent
International Hotel
Shanghai

- The hotels revenue of Magnificent Hotel Group increased by 12%.
- The profit from hotels operations increased by 26%.
- The average occupancy of Magnificent Hotel Group's Hong Kong hotels was 99%.
- The average room rate of Magnificent Hotel Group's Hong Kong hotels was HK\$751.

LIQUIDITY

- At 31st December, 2018, the overall debts of the Group including Magnificent Hotel and its subsidiaries was HK\$1,089 million (2017: HK\$1,700 million). The bank loan decreased due to repayment of bank borrowings during the year. The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) in terms of overall debts against funds employed was 13% before revaluation of all hotel properties (2017: 22%).

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

As at 31st December, 2018, the Group's staffing level did not have material change when compared with that of 31st December, 2017. Remuneration and benefit were set with reference to the market.

- **BUSINESS HIGHLIGHT**

Under the leadership of our Chairman, Mr. William Cheng, our profit from operation of hotel increased by 34%, even though the travelers come to Hong Kong only increased by 4.9%.

Best Western Hotel Harbour View and Grand View Hotel was and will be re-branded to the higher class **RAMADA HONG KONG HARBOUR VIEW** and **RAMADA HONG KONG GRAND VIEW** respectively.

The completion of renovation of the Best Western Plus Hotel Kowloon by adding of 40 rooms to increase monthly revenue over 20%.

As at 31st December, 2018, the valuation of the Royal Scot Hotel, London was GBP£95,000,000 against initial purchase cost GBP£70,000,000.

Under the leadership of our Chairman, Mr. William Cheng, Grand View Hotel obtained the approval for re-development plan during the year and subsequently achieved substantial increase in valuation.

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. During the year, the management considered that the hotel revenue of Magnificent Hotel increased by 12% and the profit for the hotel operations of Magnificent Hotel increased by 26% were impressive. Future improvement of hotel performances will be difficult because of large increase supply of hotel rooms in Hong Kong, competing room rate and occupancy, skilful labour shortage, most importantly, the large drop of Renminbi exchange rate will make Hong Kong a lesser desirable destination for the PRC visitors which account over 70% of the market.
- The opening of high speed train to the PRC and the new bridge to Macau may facilitate more PRC visitors. The Hong Kong Tourism Board forecast overnight visitors in 2019 will increase by 2% only. The management team lead by our Chairman, Mr. William Cheng, will endeavor to continue to try to increase hotels revenue while controlling operating costs.
- 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.
- 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 endeavour to seek revenue growth from acquisition of income producing properties.

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 year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this announcement as required under the Listing Rules.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the year ended 31st December, 2018, the Company has complied with all the code provisions set out in the Corporate Governance Code of 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 year.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the audited financial results of the Group for the year ended 31st December, 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of total comprehensive income and the related notes thereto for the year ended 31st December, 2018 as set out in the Preliminary Announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

By Order of the Board

William Cheng Kai Man
Chairman

Hong Kong, 8th March, 2019

As at the date hereof, the Board comprises eight Directors, of which four are Executive Directors, namely Mr. William Cheng Kai Man, Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May and Jennie Wong Kwai Fong; one is Non-executive Director, namely 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.