



SHUN HO HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 253)

2019 INTERIM RESULTS

RESULTS

The board of directors (the “Board”) of Shun Ho Holdings Limited (the “Company”) announces that the **net profit after tax attributable to owners of the Company** before revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2019 was HK\$63.0 million (six months ended 30th June, 2018: HK\$62.6 million), increased by 1%. 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, 2019

		Six months ended	
	NOTES	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
Revenue	3	370,197	361,840
Cost of sales		(2,253)	(2,353)
Other service costs		(167,132)	(156,489)
Depreciation of property, plant and equipment and release of prepaid lease payments for land/ depreciation of right-of-use assets		<u>(51,469)</u>	<u>(49,434)</u>
Gross profit		149,343	153,564
Increase in fair value of investment properties		10,000	202,635
Other income and expenses and gains and losses		8,952	5,948
Administrative expenses		(25,047)	(24,093)
- Depreciation		(4,460)	(3,945)
- Others		(20,587)	(20,148)
Finance costs	5	<u>(12,684)</u>	<u>(16,920)</u>
Profit before taxation		130,564	321,134
Income tax expense	6	<u>(24,715)</u>	<u>(24,509)</u>
Profit for the period	7	<u><u>105,849</u></u>	<u><u>296,625</u></u>

Condensed Consolidated Statement of Profit or Loss (Continued)

For the six months ended 30th June, 2019

	NOTE	Six months ended	
		30.6.2019 <i>HK\$'000</i> (unaudited)	30.6.2018 <i>HK\$'000</i> (unaudited)
Profit for the period attributable to:			
Owners of the Company		45,545	142,433
Non-controlling interests		<u>60,304</u>	<u>154,192</u>
		<u>105,849</u>	<u>296,625</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		<u>18.84</u>	<u>58.91</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30th June, 2019

	Six months ended	
	30.6.2019	30.6.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>105,849</u>	<u>296,625</u>
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	171	(312)
Item that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	<u>(1,413)</u>	<u>(11,253)</u>
Other comprehensive expense for the period	<u>(1,242)</u>	<u>(11,565)</u>
Total comprehensive income for the period	<u>104,607</u>	<u>285,060</u>
Total comprehensive income attributable to:		
Owners of the Company	45,090	138,304
Non-controlling interests	<u>59,517</u>	<u>146,756</u>
	<u>104,607</u>	<u>285,060</u>

Condensed Consolidated Statement of Financial Position
At 30th June, 2019

	NOTES	As at 30.6.2019 HK\$'000 (unaudited)	As at 31.12.2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		3,764,078	3,833,997
Right-of-use assets		27,513	-
Prepaid lease payments for land		-	27,105
Investment properties		5,024,600	5,016,500
Equity instruments at fair value through other comprehensive income		4,686	4,515
Deposit paid for acquisition of property, plant and equipment		<u>5,800</u>	<u>-</u>
		8,826,677	8,882,117
Current assets			
Inventories		1,316	1,459
Prepaid lease payments for land		-	815
Trade and other receivables	10	20,045	31,980
Other deposits and prepayments		16,717	12,999
Bank balances and cash		<u>621,147</u>	<u>583,248</u>
		659,225	630,501
Current liabilities			
Trade and other payables and accruals	11	34,172	36,721
Rental and other deposits received		28,524	22,616
Contract liabilities		5,825	5,031
Amount due to ultimate holding company		55,000	26,494
Tax liabilities		34,160	16,421
Bank loans		<u>214,604</u>	<u>272,850</u>
		372,285	380,133
Net current assets		286,940	250,368
Total assets less current liabilities		9,113,617	9,132,485
Capital and reserves			
Share capital		172,252	172,252
Reserves		<u>3,764,449</u>	<u>3,712,395</u>
Equity attributable to owners of the Company		3,936,701	3,884,647
Non-controlling interests		<u>4,268,128</u>	<u>4,245,085</u>
Total equity		8,204,829	8,129,732
Non-current liabilities			
Bank loans		719,994	810,674
Rental deposits received		23,760	28,557
Deferred tax liabilities		<u>165,034</u>	<u>163,522</u>
		908,788	1,002,753
		9,113,617	9,132,485

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, 2018 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, 2018 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, as appropriate.

Other than changes in accounting policies resulting from application of new and 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, 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2019 for the preparation of the Group’s condensed consolidation financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods.

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	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income from operation of hotels	289,009	281,007
Income from property rental	81,025	80,660
Dividend income	<u>163</u>	<u>173</u>
	<u>370,197</u>	<u>361,840</u>

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 - 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 and 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	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
Hospitality services	289,009	281,007	68,472	72,894
- Best Western Plus Hotel Kowloon	36,326	31,652	3,912	2,842
- Best Western Plus Hotel Hong Kong	43,122	40,858	16,424	15,463
- Magnificent International Hotel, Shanghai	8,150	9,799	11	1,548
- Best Western Hotel Causeway Bay	31,573	32,803	6,562	8,301
- Ramada Hong Kong Harbour View	51,823	50,669	18,981	20,348
- Best Western Grand Hotel	52,349	53,184	10,528	12,813
- Grand City Hotel	25,027	25,030	6,048	7,479
- Ramada Hong Kong Grand View	40,639	37,012	6,006	4,100
Property investment	81,025	80,660	90,708	283,132
- 633 King's Road	52,183	50,802	61,965	210,700
- Shun Ho Tower	12,103	12,219	12,004	49,558
- Shops and hotel	16,739	17,639	16,739	22,874
Securities investment	163	173	163	173
	<u>370,197</u>	<u>361,840</u>	159,343	356,199
Other income and expenses and gains and losses			8,952	5,948
Central administration costs and directors' emoluments			(25,047)	(24,093)
Finance costs			<u>(12,684)</u>	<u>(16,920)</u>
Profit before taxation			<u>130,564</u>	<u>321,134</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on :		
Bank loans	11,171	15,654
Amount due to ultimate holding company	<u>1,513</u>	<u>1,266</u>
	<u>12,684</u>	<u>16,920</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	20,798	18,946
The People's Republic of China (the "PRC")	-	339
The United Kingdom (the "UK")	<u>2,507</u>	<u>2,713</u>
	23,305	21,998
Overprovision in prior years		
The UK	<u>(102)</u>	<u>(63)</u>
	23,203	21,935
Deferred tax	<u>1,512</u>	<u>2,574</u>
	<u>24,715</u>	<u>24,509</u>

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, 2019 (six months ended 30th June, 2018: 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	
30.6.2019	30.6.2018
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Profit for the period has been arrived at after charging
(crediting):

Release of prepaid lease payments for land	-	425
Depreciation of right-of-use assets	407	-
Depreciation of property, plant and equipment	55,522	52,954
Interest on bank deposits (Note)	(5,118)	(5,000)
(Gain) loss on disposal of property, plant and equipment (Note)	<u>(3,318)</u>	<u>79</u>

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

8. DIVIDEND

No dividend were paid, declared or proposed during the reported period. The directors have resolved not to declare an interim dividend for the six months ended 30th June, 2019 (six months ended 30th June, 2018: nil).

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\$45,545,000 (six months ended 30th June, 2018: HK\$142,433,000) and on 241,766,000 shares (six months ended 30th June, 2018: 241,766,000 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 30.6.2019 <i>HK\$'000</i> (unaudited)	As at 31.12.2018 <i>HK\$'000</i> (audited)
Trade receivables	11,344	24,604
Other receivables	<u>8,701</u>	<u>7,376</u>
	<u>20,045</u>	<u>31,980</u>

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 30.6.2019 HK\$'000 (unaudited)	As at 31.12.2018 HK\$'000 (audited)
Not yet due	11,034	23,385
Overdue:		
0 - 30 days	159	1,057
31 - 60 days	81	119
61 - 90 days	<u>70</u>	<u>43</u>
	<u><u>11,344</u></u>	<u><u>24,604</u></u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30.6.2019 HK\$'000 (unaudited)	As at 31.12.2018 HK\$'000 (audited)
Trade payables	4,243	4,072
Other payables and accruals	<u>29,929</u>	<u>32,649</u>
	<u><u>34,172</u></u>	<u><u>36,721</u></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 30.6.2019 HK\$'000 (unaudited)	As at 31.12.2018 HK\$'000 (audited)
0 - 30 days	4,204	3,979
31 - 60 days	39	72
61 - 90 days	<u>-</u>	<u>21</u>
	<u><u>4,243</u></u>	<u><u>4,072</u></u>

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2019 (six months ended 30th June, 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

The net profit after tax attributable to owners of the Company before revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2019 was HK\$63.0 million (six months ended 30th June, 2018: HK\$62.6 million), increased by 1%.

PERFORMANCE

Hotel Business

The income from hotel operations of the Group amounted to HK\$289 million (six months ended 30th June, 2018: HK\$281 million), increased by 3%.

The Group through its subsidiaries presently owns 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.

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 six months ended 30th June, 2019 was HK\$99 million (six months ended 30th June, 2018: HK\$95 million), increased by 4%. The hotel revenue of Magnificent Hotel increased by 2% while profit from hotel operations decreased by 5%. The average occupancy in the Magnificent Hotel Group's Hong Kong hotels was 99.5% (six months ended 30th June, 2018: 99.6%) and the average room rate was HK\$685 (six months ended 30th June, 2018: HK\$678). The major reason for the above increase in hotel revenue was due to increase in room rates.

During the period, Best Western Hotel Harbour View and Grand View Hotel were re-branded to the higher class **RAMADA HONG KONG HARBOUR VIEW** and **RAMADA HONG KONG GRAND VIEW** respectively.

As at 30th June, 2019, the valuation of the Royal Scot Hotel, London was GBP£95,000,000 against initial purchase cost GBP£70,000,000. From 22nd June, 2019, the annual rental income of the Royal Scot Hotel increased from GBP£3,137,000 to GBP£3,546,000, increased by 13%.

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\$81 million (six months ended 30th June, 2018: HK\$81 million).

The commercial properties rental income was analysed as follows:

	Six months ended		Change
	30.6.2018 HK\$'000	30.6.2019 HK\$'000	
Royal Scot Hotel	16,379	15,565	-5%
633 King's Road	50,802	52,183	+3%
Shun Ho Tower	12,219	12,103	(Note) -1%
Shops	<u>1,260</u>	<u>1,174</u>	-7%
Total	<u>80,660</u>	<u>81,025</u>	0%

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

- During the period, the decrease in rental income of Royal Scot Hotel in London because of the depreciation of Pound Sterling against Hong Kong dollars. The commercial building at 633 King's Road and Shun Ho Tower were almost fully occupied. The overall increase of office building rental was due to the renewal of leases during the period. The decrease in shop rental was due to providing one month free rental period to a tenant in order to maintain long term good relationship.

During the period, the **administrative expenses** excluding depreciation was HK\$20.6 million (six months ended 30th June, 2018: HK\$20.1 million), representing cost for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

LIQUIDITY

- As at 30th June, 2019, the overall debts of the Group including Shun Ho Property and Magnificent Hotel and their subsidiaries was HK\$990 million (31st December, 2018: HK\$1,110 million). The bank loan decreased due to the repayment of bank borrowings during the period. The gearing ratio of the Group in terms of overall debts against funds employed was 12% (31st December, 2018: 14%).

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

As at 30th June, 2019, the Group's **staffing level** did not have material change compared with that as at 31st December, 2018. Remuneration and benefit were set with reference to the market.

LOOKING AHEAD

- The Group will continue its business of hotel investments and operations and will seek to acquire more hotel incomes by acquisition of income-producing properties. During the period, the hotel revenue of Magnificent Hotel modest increased by 2%. 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 about 70% of the market.
- The Group will continue its management and investment of 633 King's Road, Shun Ho Towers, Ice House Street and the income from the investment of Ramada Hong Kong Grand View.
- With the current political crisis and violent street protests, there will be a large reduction of visitors to Hong Kong. Until the crisis is well over, our Group's hotels may suffer substantial reduction in hotel revenue which may affect profitability and dividend payment of the year.
- The management will try to seek an opportunities to further increase overall revenue and operating profit by acquisition of income-producing properties.

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 period and up to the date of this announcement as required under the Listing Rules.

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.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 19th August, 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 Madam Jennie Wong Kwai Fong; 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.