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SHUN HO HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31st DECEMBER, 2019

RESULTS

The board of directors (the “Board”) of Shun Ho Holdings Limited (the “Company”) announces that profit for the year attributable to owners of the Company for the year ended 31st December, 2019 was HK\$4 million (2018: HK\$310 million), decreased by 99%. 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, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Revenue	3		
Contracts with customers		452,148	625,881
Leases		164,862	160,938
Dividend income		<u>299</u>	<u>313</u>
Total revenue		617,309	787,132
Cost of sales		(3,747)	(4,687)
Other service costs		(307,535)	(303,781)
Depreciation of property, plant and equipment		(102,019)	(97,782)
Depreciation of right-of-use assets		(797)	-
Release of prepaid lease payments for land		<u>-</u>	<u>(815)</u>
Gross profit		203,211	380,067
(Decrease) increase in fair value of investment properties		(105,800)	432,450
Other income and expenses and gains and losses		37,216	13,335
Administrative expenses		(54,640)	(54,225)
- Depreciation		(9,306)	(8,454)
- Others		(45,334)	(45,771)
Finance costs	5	<u>(26,346)</u>	<u>(35,545)</u>
Profit before taxation	6	53,641	736,082
Income tax expense	7	<u>(33,726)</u>	<u>(56,791)</u>
Profit for the year		<u>19,915</u>	<u>679,291</u>
Profit for the year attributable to:			
Owners of the Company		3,525	310,239
Non-controlling interests		<u>16,390</u>	<u>369,052</u>
		<u>19,915</u>	<u>679,291</u>
		HK cents	HK cents
Earnings per share	8		
Basic		<u>1.46</u>	<u>128.3</u>

Consolidated Statement of Total Comprehensive Income
For the year ended 31st December, 2019

	2019 HK\$'000	2018 HK\$'000
Profit for the year	<u>19,915</u>	<u>679,291</u>
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss		
Fair value loss on investment in equity instruments at fair value through other comprehensive income	(841)	(810)
Item that may reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	<u>17,379</u>	<u>(41,941)</u>
Other comprehensive income (expense) for the year	<u>16,538</u>	<u>(42,751)</u>
Total comprehensive income for the year	<u>36,453</u>	<u>636,540</u>
Total comprehensive income attributable to:		
Owners of the Company	9,603	294,650
Non-controlling interests	<u>26,850</u>	<u>341,890</u>
	<u>36,453</u>	<u>636,540</u>

Consolidated Statement of Financial Position
At 31st December, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-Current Assets			
Property, plant and equipment		3,772,036	3,833,997
Right-of-use assets		26,481	-
Prepaid lease payments for land		-	27,105
Investment properties		4,937,300	5,016,500
Deposit paid for acquisition of an investment property		429,470	-
Equity instruments at fair value through other comprehensive income		<u>3,674</u>	<u>4,515</u>
		<u>9,168,961</u>	<u>8,882,117</u>
Current Assets			
Inventories		1,352	1,459
Prepaid lease payments for land		-	815
Trade and other receivables	9	10,548	31,980
Other deposits and prepayments		12,952	12,999
Bank balances and cash		<u>155,795</u>	<u>583,248</u>
		<u>180,647</u>	<u>630,501</u>
Current Liabilities			
Trade and other payables and accruals	10	51,472	36,721
Rental and other deposits received		10,098	22,616
Contract liabilities		2,066	5,031
Amount due to ultimate holding company		13,852	26,494
Tax liabilities		39,940	16,421
Bank loans		<u>203,153</u>	<u>272,850</u>
		<u>320,581</u>	<u>380,133</u>
Net Current (Liabilities) Assets		<u>(139,934)</u>	<u>250,368</u>
Total Assets less Current Liabilities		<u>9,029,027</u>	<u>9,132,485</u>
Capital and Reserves			
Share capital		172,252	172,252
Reserves		<u>3,730,029</u>	<u>3,712,395</u>
Equity attributable to owners of the Company		3,902,281	3,884,647
Non-controlling interests		<u>4,227,921</u>	<u>4,245,085</u>
Total Equity		<u>8,130,202</u>	<u>8,129,732</u>
Non-Current Liabilities			
Bank loans		697,682	810,674
Rental deposits received		35,414	28,557
Deferred tax liabilities		<u>165,729</u>	<u>163,522</u>
		<u>898,825</u>	<u>1,002,753</u>
		<u>9,029,027</u>	<u>9,132,485</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 (“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, 2019 and 2018 included in this preliminary announcement of annual results 2019 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, 2018 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, 2019 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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 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 year has been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies.

3. REVENUE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Income from operation of hotels	452,148	625,881
Income from property rental	164,862	160,938
Dividend income	<u>299</u>	<u>313</u>
	<u>617,309</u>	<u>787,132</u>

4. SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 "Operating Segments" 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 (formerly known as Best Western Hotel Harbour View)
6. Hospitality services - Best Western Grand Hotel
7. Hospitality services - Grand City Hotel
8. Hospitality services - Ramada Hong Kong Grand View (formerly known as Grand View Hotel)
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)

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,	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hospitality services	452,148	625,881	39,048	219,344
- Best Western Plus Hotel Kowloon	54,544	69,763	(5,765)	13,756
- Best Western Plus Hotel Hong Kong	68,515	90,715	20,273	42,144
- Magnificent International Hotel, Shanghai	18,079	19,969	(1,542)	3,334
- Best Western Hotel Causeway Bay	48,350	72,108	1,597	24,725
- Ramada Hong Kong Harbour View (formerly known as Best Western Hotel Harbour View)	81,114	113,247	22,153	53,433
- Best Western Grand Hotel	77,150	117,884	(1,071)	38,959
- Grand City Hotel	38,867	56,354	3,831	21,996
- Ramada Hong Kong Grand View (formerly known as Grand View Hotel)	65,529	85,841	(428)	20,997
Property investments	164,862	160,938	58,064	592,860
- 633 King's Road	105,219	101,516	54,456	371,221
- Shun Ho Tower	23,690	24,660	(4,345)	89,127
- Shops and hotel	35,953	34,762	7,953	132,512
Securities investment	299	313	299	313
	<u>617,309</u>	<u>787,132</u>	<u>97,411</u>	<u>812,517</u>
Other income and expenses and gains and losses			37,216	13,335
Central administration costs and directors' emoluments			(54,640)	(54,225)
Finance costs			<u>(26,346)</u>	<u>(35,545)</u>
Profit before taxation			<u>53,641</u>	<u>736,082</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:

	2019	2018
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	565,384	735,004
The PRC	18,079	19,969
The UK	<u>33,846</u>	<u>32,159</u>
	<u>617,309</u>	<u>787,132</u>

5. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on :		
Bank loans	23,204	32,769
Amount due to ultimate holding company	<u>3,142</u>	<u>2,776</u>
	<u>26,346</u>	<u>35,545</u>

6. PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	4,240	4,012
Staff costs including directors' emoluments	223,424	217,466
Depreciation of property, plant and equipment	111,325	106,236
Cost of inventories recognised as an expense	10,629	12,264
Operating lease rental in respect of rented equipment	-	1,531
Gross rental income from investment properties	(164,862)	(160,938)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u>998</u>	<u>528</u>
	<u>(163,864)</u>	<u>(160,410)</u>

7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Income tax expense comprises:		
Current tax		
Hong Kong	25,789	46,089
The PRC	252	733
The UK	<u>5,582</u>	<u>5,262</u>
	<u>31,623</u>	<u>52,084</u>
Overprovision in prior years		
Hong Kong	-	(95)
The UK	<u>(104)</u>	<u>(62)</u>
	<u>31,519</u>	<u>51,927</u>
Deferred tax	<u>2,207</u>	<u>4,864</u>
	<u><u>33,726</u></u>	<u><u>56,791</u></u>

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$3,525,000 (2018: HK\$310,239,000) and on 241,766,000 shares (2018: 241,766,000 shares) 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.

9. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from contracts with customers	4,246	21,757
Lease receivables	1,182	2,847
Other receivables	<u>5,120</u>	<u>7,376</u>
	<u>10,548</u>	<u>31,980</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Not yet due	5,378	23,385
Overdue:		
0-30 days	41	1,057
31-60 days	9	119
61-90 days	<u>-</u>	<u>43</u>
	<u>5,428</u>	<u>24,604</u>

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	2,697	4,072
Other payables and accruals	<u>48,775</u>	<u>32,649</u>
	<u>51,472</u>	<u>36,721</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0-30 days	2,601	3,979
31-60 days	54	72
61-90 days	<u>42</u>	<u>21</u>
	<u>2,697</u>	<u>4,072</u>

DIVIDEND

In deciding whether to distribute the final dividend and the amount, the Board has reviewed the Company's adopted dividend policy, the Board considers the current adverse political and COVID-19 crisis may last a long time and may result in prolong significant operating losses of the Group's hotel businesses and inevitable fast drop of rental incomes that strain on the cash flow of the Group, the Board does not recommend the payment of a final dividend for the year ended 31st December, 2019 (2018: Nil).

BOOK CLOSURE

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on Friday, 22nd May, 2020 ("AGM"), the register of members will be closed from Tuesday, 19th May, 2020 to Friday, 22nd May, 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 18th May, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Profit for the year attributable to owners of the Company for the year ended 31st December, 2019 was HK\$4 million (2018: HK\$310 million), decreased by 99%. It was mainly due to the decrease in hotel profit.

PERFORMANCE

Hotel Business

During the year, the income from hotel operations of the Group amounted to HK\$452 million (2018: HK\$626 million), decreased by 28%.

The Group through its subsidiaries 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) Ramada Hong Kong Grand View, (8) Magnificent International Hotel, Shanghai and (9) Royal Scot Hotel in London. The nine hotels have about 2,821 guest rooms which is one of the largest hotel groups in Hong Kong.

Profit for the year attributable to owners of Magnificent Hotel for the year ended 31st December, 2019 was HK\$32 million (2018: HK\$260 million), decreased by 88%. The hotel revenue of Magnificent Hotel decreased by 28% while profit from hotel operations decreased by 79%. The average occupancy in the Group's Hong Kong hotels was 98% (2018: 99%) and the average room rate was HK\$526 (2018: HK\$751). The major reason for the above decrease was due to decrease in room rates.

PERFORMANCE

The income from hotel operations of the Group amounted to HK\$452 million (2018: HK\$626 million), decreased by 28%.

Hotel Business (Magnificent Hotel)

The Group owns 63.44% of Shun Ho Property which holds 71.09% of Magnificent Hotel Investments Limited ("Magnificent Hotel") as its hotel investment subsidiary. The Group and Magnificent Hotel Group 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.

Profit for the year attributable to owners of Magnificent Hotel for the year ended 31st December, 2019 was HK\$32 million (2018: HK\$260 million), decreased by 88%.

	2018 HK\$'000	Jan-Jun 2019 HK\$'000	Jul-Dec 2019 HK\$'000	2019 HK\$'000	Change
Revaluation adjustment of investment properties	97,750	-	(28,000)	(28,000)	N/A
Profit from operation of hotels	194,187	63,261	(22,193)	41,068	-79%
- Profit	265,502	101,208	15,522	116,730	
- Depreciation	(71,315)	(37,947)	(37,715)	(75,662)	
Properties rental income	30,424	14,566	17,032	31,598	+4%
Income from securities investments	4,871	3,557	1,464	5,021	+3%
Other income and expenses and gains and losses	<u>10,096</u>	<u>8,804</u>	<u>28,046</u>	<u>36,850</u>	+265%
	337,328	90,188	(3,651)	86,537	-74%
Administrative expenses	(39,516)	(18,698)	(21,706)	(40,404)	+2%
Income tax expense	<u>(37,463)</u>	<u>(13,891)</u>	<u>(411)</u>	<u>(14,302)</u>	-62%
Profit after taxation	260,349	57,599	(25,768)	31,831	-88%

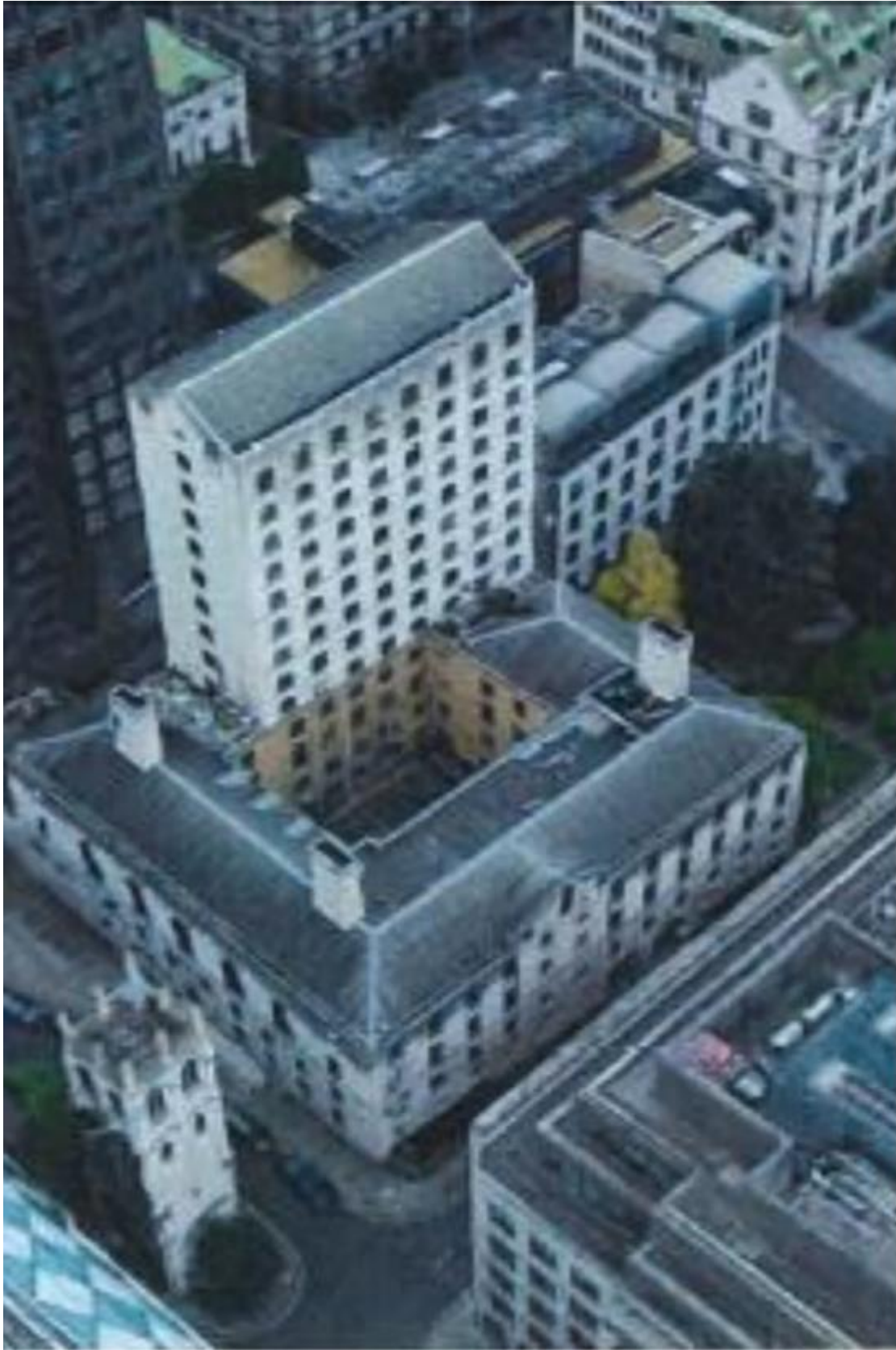
The overall profit for the year decreased by approximately HK\$228 million was mainly due to the decrease in the hotel profit from the second half of the year and revaluation loss.

- For the year ended 31st December, 2019, **Magnificent Hotel GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and hotel properties rental income, which was analysed as follows:

Income

	2018 HK\$'000	Jan-Jun 2019 HK\$'000	Jul-Dec 2019 HK\$'000	2019 HK\$'000	Change	Reasoning
Income from operation of hotels	540,040	248,370	138,249	386,619	-28%	Decrease in room rates
Hotel properties rental income	34,762	16,739	19,214	35,953	+3%	Increase in rental income from UK hotel property
Dividend income	4,871	3,557	1,464	5,021	+3%	Increase in dividend received from stock investment
Other income	10,136	8,804	3,730	12,534	+24%	Gain from the disposal of the apartment property at Tai Hang and others
Exchange gain	<u>-</u>	<u>-</u>	<u>24,316</u>	<u>24,316</u>	N/A	Currency exchange gain from purchase of sterling on 9th September, 2019 and exchange gain realised upon the deposit paid for the acquisition of Wood Street Hotel on 17th December, 2019
Total	<u>589,809</u>	<u>277,470</u>	<u>186,973</u>	<u>464,443</u>	-21%	

The total income for the Magnificent Hotel Group decreased by 21% from HK\$590 million to HK\$464 million compared with last year.



Wood Street Police Headquarter, 37 Wood Street London EC2 UK



Wood Street Police Headquarter, 37 Wood Street London EC2 UK

During the year, 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 31st December, 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 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\$165 million (2018: HK\$161 million).

The commercial properties rental income was analysed as follows:

	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change
Royal Scot Hotel	32,159	33,846	+5%
633 King's Road	101,516	105,219	+4%
Shun Ho Tower	24,660	23,690	(Note) -4%
Shops	<u>2,603</u>	<u>2,107</u>	-19%
Total	160,938	164,862	+2%

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

- The commercial building at 633 King's Road and Shun Ho Tower were almost fully occupied. The fluctuation of office building rental was due to the renewal of leases last year. The decrease in shop rental was due to providing one month free rental period and rental deduction to a tenant in order to maintain long term good relationship.

During the year, the administrative expenses excluding depreciation was HK\$45 million (2018: HK\$46 million), representing cost for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.



Ramada Hong Kong Grand View

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	100	100	100	100	100	100	100	99	99	99	100	99	100
Avg Room Rate (HK\$)	665	715	669	744	544	520	529	378	330	413	360	327	515

- The 2019 full year **total income** was HK\$65,529,000 (2018: HK\$85,841,000), decreased by 24%.
- The 2019 full year **net operating profit** was HK\$21,705,000 (2018: HK\$41,946,000), decreased by 48%.
- The hotel was re-branded to the 4 star brand of **RAMADA HONG KONG GRAND VIEW** from 3rd May, 2019.



Ramada Hong Kong Harbour View

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	99	100	99	100	99	100	99	97	98	98	99	97	99
Avg Room Rate (HK\$)	638	720	686	696	556	515	511	353	300	356	319	259	492

- The **total income** was HK\$81,114,000 (2018: HK\$113,247,000), decreased by 28%.
- The **net operating profit** was HK\$28,170,000 (2018: HK\$59,070,000), decreased by 52%.
- Best Western Hotel Harbour View was re-branded to the higher class **RAMADA HONG KONG HARBOUR VIEW** in January 2019.



Best Western Grand Hotel

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	99	99	100	99	99	99	98	93	95	94	93	87	96
Avg Room Rate (HK\$)	761	837	752	727	587	562	532	329	266	344	298	249	526

- The **total income** was HK\$77,150,000 (2018: HK\$117,884,000), decreased by 35%.
- The **net operating profit** was HK\$28,015,000 (2018: HK\$67,913,000), decreased by 59%.



Best Western Plus Hotel Hong Kong

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	100	100	100	100	100	100	100	98	97	94	100	97	99
Avg Room Rate (HK\$)	738	781	765	803	607	583	578	465	335	437	377	310	563

- The **total income** was HK\$70,457,000 (2018: HK\$93,235,000), decreased by 24%.
- The **net operating profit** was HK\$26,158,000 (2018: HK\$48,385,000), decreased by 46%.



Best Western Hotel Causeway Bay

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	100	100	100	100	100	100	100	97	97	96	99	94	98
Avg Room Rate (HK\$)	697	760	731	714	548	501	490	330	304	403	337	247	506

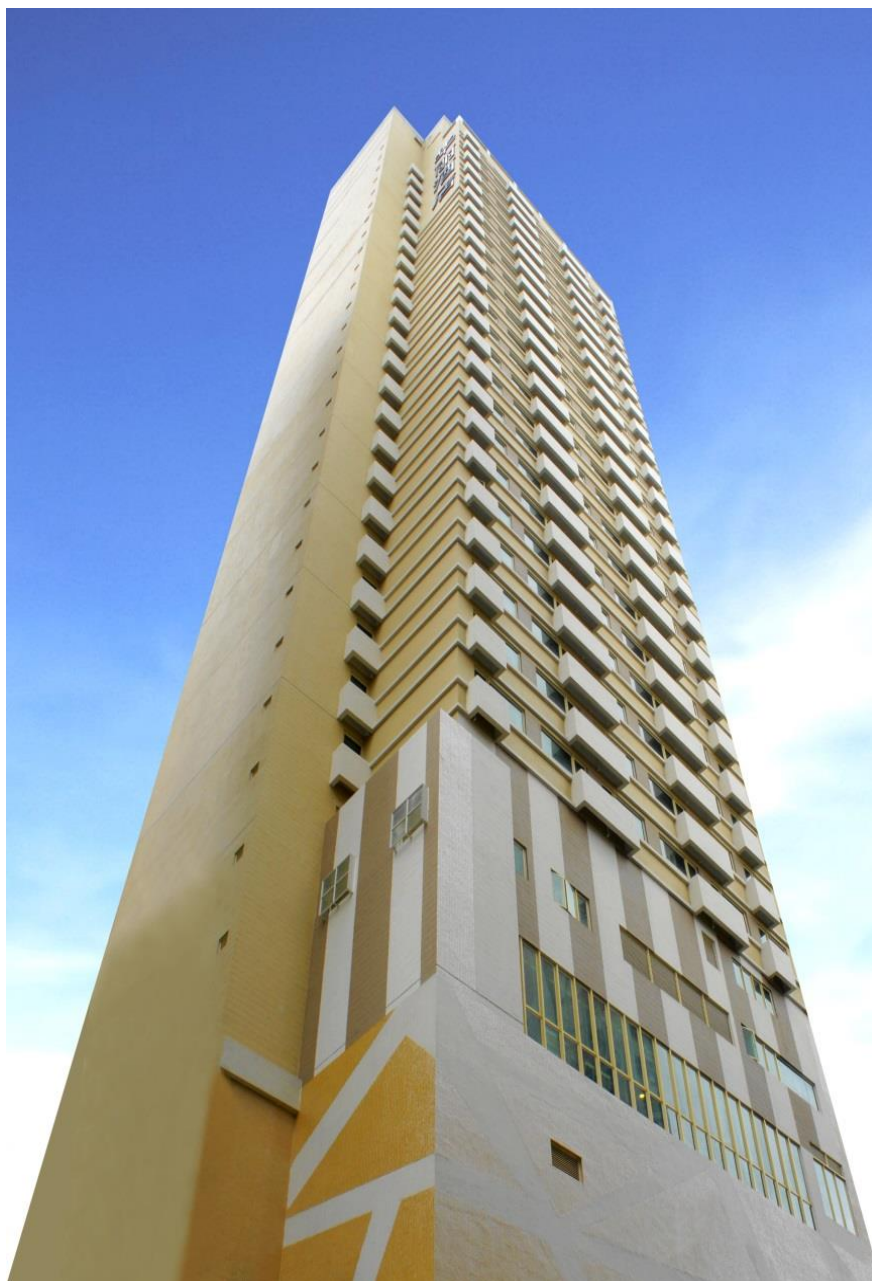
- The **total income** was HK\$48,350,000 (2018: HK\$72,108,000), decreased by 33%.
- The **net operating profit** was HK\$13,171,000 (2018: HK\$36,083,000), decreased by 63%.
- The renovation of external wall of the hotel with modern LED signages was carried in 2019.



Best Western Plus Hotel Kowloon

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	99	99	100	100	100	99	100	100	100	99	95	95	99
Avg Room Rate (HK\$)	859	934	825	805	683	636	585	408	350	394	318	284	590

- The **total income** was HK\$54,708,000 (2018: HK\$69,846,000), decreased by 22%.
- The **net operating profit** was HK\$16,377,000 (2018: HK\$32,409,000), decreased by 49%.
- The adding of about 40 rooms to the Best Western Plus Hotel Kowloon was completed in 2018.



Grand City Hotel

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	99	99	99	99	99	99	99	98	99	99	99	98	99
Avg Room Rate (HK\$)	667	725	694	686	554	480	508	366	279	340	314	255	488

- The **total income** was HK\$38,867,000 (2018: HK\$56,354,000), decreased by 31%.
- The **net operating profit** was HK\$9,634,000 (2018: HK\$27,791,000), decreased by 65%.
- Swimming pool on terrace floor was added in 2018.



Magnificent International Hotel, Shanghai

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Avg/ yr
Avg Room Occupancy (%)	57	60	69	85	87	77	86	86	87	85	78	75	78
Avg Room Rate (HK\$)	234	283	326	329	322	313	345	361	292	350	330	283	318

- The **total income** was HK\$18,079,000 (2018: HK\$19,969,000), decreased by 9%.
- The **net operating profit** was HK\$983,000 (2018: HK\$5,875,000), decreased by 83%.



Royal Scot Hotel, London

- The **total rental income** in 2019 was GBP3,351,000, equivalent to HK\$33,846,000 (2018: GBP3,137,487, equivalent to HK\$32,159,000).
- As at 31st December, 2019, an independent third party valuation was GBP95,000,000 (Acquisition cost GBP70,000,000).



633 King's Road

The total rental income during the year was HK\$105,219,000.



Shun Ho Tower

The total rental income during the year was HK\$23,690,000.

LIQUIDITY

- At 31st December, 2019, the overall debts of the Group including Shun Ho Property and Magnificent Hotel and their subsidiaries were HK\$915 million (2018: HK\$1,110 million). The bank loan decreased due to repayment of bank borrowings during the year. The gearing ratio of the Group in terms of overall debts against funds employed were 11% before revaluation of all hotel properties (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 31st December, 2019, the Group's staffing number was 698 (2018: 753), decreased by 7.3%. Remuneration and benefit were set with reference to the market.

- BUSINESS HIGHLIGHT**

Best Western Hotel Harbour View and Grand View Hotel were re-branded to a higher class **RAMADA HONG KONG HARBOUR VIEW** and **RAMADA HONG KONG GRAND VIEW** in 2018 and 2019 respectively.

The completion of renovation of the Best Western Plus Hotel Kowloon by adding of 40 rooms.

As at 31st December, 2019, the valuation of Royal Scot Hotel, London was GBP95,000,000 against initial purchase cost GBP70,000,000.

The Group acquired Wood Street Police Headquarter, 37 Wood Street London EC2 UK (the "Property") for a consideration of GBP40,000,000 (equivalent to approximately HK\$404,540,000) on 29th January, 2020. The total gross internal area of the Property is 117,472 sq. ft. (10,913.3 sq. m.). The Property is 0.18 hectare (approximately 20,000 sq. ft.) island site. The Property is purchased on a new long lease of 151 years commencing from the Completion at a peppercorn rent.

The Property is located in the core of the City of London, approximately 350 metres north west of the Bank of England. The Property occupies a prominent corner position at the junction of Wood Street and Love Lane. The Property is located within 6 minutes walk of Liverpool Street Station and Moorgate Crossrail Station.

The Property is the Grade II* listed building. It comprises two primary forms, a four storey building built around a large courtyard, with a 12 storey tower to the north east corner of the site. Constructed between 1963-66 by McMorran and Whitby. It is a striking example of neo-classical architecture. The Property was purpose built for the City of London Police Headquarter.

Given the vibrant economic importance of center district, the City of London, UK and the development prospect of the Property, the Boards believes that the Acquisition provides an excellent investment opportunity for the Magnificent Hotel group (a member of Shun Ho Property group and the Group) to expand and diversify into property investments in the City of London, one of the world's biggest commercial and tourist center. The Boards are also of the view that the acquisition will allow the Group to strategically increase its investment in London, UK.

The purchase price of GBP40,000,000 (equivalent to approximately HK\$404,540,000), represents a good opportunity for the Group to acquire a sizeable property in the Central London location at a relative low price at GBP341 (equivalent to approximately HK\$3,500) per sq. ft. gross based on 117,472 sq. ft. total gross internal area. The acquisition also allows the Groups to enter into the London commercial and tourism center and to benefit from considerable refurbishment potential and its future incomes.

Planning consent approval will be applied for any change of use from existing sui generis use to office, retail use or hotel use. The excellent location of the Property being in the center of the City of London is ideal for conversion to a grade A office, and retail and food/beverages mix uses. However, the management consider even more excellent plan to renovate this high profile well located heritage building to become a deluxe heritage hotel of about 200 guest rooms with restaurant, bar, ballroom and spa with gross internal area about 117,472 sq. ft. The management is proud of having this opportunity to renovate this deluxe and heritage building in the center of the City of London.

LOOKING AHEAD

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

It is the management's view that the local social disorders are not easily resolvable and are likely to continue for sometimes that seriously affect the PRC and international visitors.

The coronavirus may also take more months to die out for recovery of international travel and leisure tourism.

The combination of lengthy damaged economy of Hong Kong, the PRC and global, continuous coronavirus, continuous social disorders and trade wars, the management envisage the hotel operations will be lost making for sometimes. The management will continue to try to maintain high hotel occupancies to compensate hotel operating costs.

Most of the tenants at the Group's King 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 are going to increase fast and quickly.

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, 2019, 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, 2019.

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, 2019 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, 30th March, 2020

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, 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.