

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# SHUN HO PROPERTY INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 219)

## 2020 INTERIM RESULTS

### RESULTS

The board of directors (the “Board”) of Shun Ho Property Investments Limited (the “Company”) announces that the loss for the period attributable to owners of the Company for the six months ended 30th June, 2020 was HK\$142 million (profit for the six months ended 30th June, 2019: HK\$91 million), decreased by HK\$233 million. The unaudited consolidated results of the Company and its subsidiaries (together 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, 2020

	NOTES	Six months ended 30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Revenue	3		
Contracts with customers		85,355	289,009
Leases		85,269	81,025
Dividend income		<u>53</u>	<u>163</u>
Total Revenue		170,677	370,197
Cost of sales		(247)	(2,253)
Other service costs		(95,270)	(167,132)
Depreciation of property, plant and equipment		(51,022)	(51,062)
Depreciation of right-of-use assets		<u>(391)</u>	<u>(407)</u>
Gross profit		23,747	149,343
(Decrease) increase in fair value of investment properties		(184,229)	10,000
Other income and expenses and gains and losses		10,128	8,788
Administrative expenses		(25,328)	(24,382)
- Depreciation		(4,370)	(4,460)
- Others		(20,958)	(19,922)
Finance costs	5	<u>(10,077)</u>	<u>(11,171)</u>
(Loss) profit before taxation		(185,759)	132,578
Income tax expense	6	<u>(3,401)</u>	<u>(24,715)</u>
(Loss) profit for the period	7	<u>(189,160)</u>	<u>107,863</u>

**Condensed Consolidated Statement of Profit or Loss (Continued)***For the six months ended 30th June, 2020*

		<b>Six months ended</b>	
	<i>NOTE</i>	<b>30.6.2020</b>	30.6.2019
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	(unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(142,331)</b>	91,466
Non-controlling interests		<b><u>(46,829)</u></b>	<u>16,397</u>
		<b><u>(189,160)</u></b>	<u>107,863</u>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
(Loss) earnings per share			
Basic	9	<b><u>(27.82)</u></b>	<u>17.88</u>

**Condensed Consolidated Statement of Total Comprehensive Income**  
*For the six months ended 30th June, 2020*

	<b>Six months ended</b>	
	<b>30.6.2020</b>	<b>30.6.2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss) profit for the period	<u><b>(189,160)</b></u>	<u>107,863</u>
<b>Other comprehensive expense</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value loss on equity instruments at fair value through other comprehensive income	<b>(41,246)</b>	(455)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u><b>(76,024)</b></u>	<u>(1,413)</u>
Other comprehensive expense for the period	<u><b>(117,270)</b></u>	<u>(1,868)</u>
Total comprehensive (expense) income for the period	<u><b>(306,430)</b></u>	<u>105,995</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	<b>(225,698)</b>	90,139
Non-controlling interests	<u><b>(80,732)</b></u>	<u>15,856</u>
	<u><b>(306,430)</b></u>	<u>105,995</u>

**Condensed Consolidated Statement of Financial Position**  
*At 30th June, 2020*

	<i>NOTES</i>	As at <b>30.6.2020</b> <i>HK\$'000</i> (unaudited)	As at 31.12.2019 <i>HK\$'000</i> (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment		3,687,770	3,772,036
Right-of-use assets		25,595	26,481
Investment properties		5,154,490	4,937,300
Deposit paid for acquisition of an investment property		-	429,470
Equity instruments at fair value through other comprehensive income		<u>71,983</u>	<u>113,229</u>
		<b><u>8,939,838</u></b>	<b><u>9,278,516</u></b>
<b>Current Assets</b>			
Inventories		1,166	1,352
Trade and other receivables	10	20,037	9,613
Other deposits and prepayments		14,950	12,734
Bank balances and cash		<u>499,136</u>	<u>152,176</u>
		<b><u>535,289</u></b>	<b><u>175,875</u></b>
<b>Current Liabilities</b>			
Trade and other payables and accruals	11	46,906	50,935
Rental and other deposits received		8,818	10,098
Contract liabilities		3,565	2,066
Amount due to an intermediate holding company		34,115	5,843
Tax liabilities		15,405	39,934
Bank loans		<u>585,950</u>	<u>203,153</u>
		<b><u>694,759</u></b>	<b><u>312,029</u></b>
<b>Net Current Liabilities</b>		<b><u>(159,470)</u></b>	<b><u>(136,154)</u></b>
<b>Total Assets less Current Liabilities</b>		<b><u>8,780,368</u></b>	<b><u>9,142,362</u></b>
<b>Capital and Reserves</b>			
Share capital		1,084,887	1,084,887
Reserves		<u>5,794,891</u>	<u>6,020,589</u>
Equity attributable to owners of the Company		<b>6,879,778</b>	7,105,476
Non-controlling interests		<u>1,057,329</u>	<u>1,138,061</u>
<b>Total Equity</b>		<b><u>7,937,107</u></b>	<b><u>8,243,537</u></b>
<b>Non-Current Liabilities</b>			
Bank loans		650,247	697,682
Rental deposits received		35,698	35,414
Deferred tax liabilities		<u>157,316</u>	<u>165,729</u>
		<b><u>843,261</u></b>	<b><u>898,825</u></b>
		<b><u>8,780,368</u></b>	<b><u>9,142,362</u></b>

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, 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2019 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$159,470,000 as at 30th June, 2020. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations, including internal resources and available unutilised banking facilities. The intermediate holding company has also agreed not to demand for repayment until the Group has the financial ability to do so. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2020 are the same as those followed and presented in the preparation of the Group’s annual financial statements for the year ended 31st December, 2019.

### *Application of amendments to HKFRSs*

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1st January, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

## 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	
	30.6.2020 <i>HK\$'000</i> (unaudited)	30.6.2019 <i>HK\$'000</i> (unaudited)
Income from operation of hotels	85,355	289,009
Income from property rental	85,269	81,025
Dividend income	<u>53</u>	<u>163</u>
	<u><b>170,677</b></u>	<u><b>370,197</b></u>

## 4. SEGMENT INFORMATION

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

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

Information regarding the above segments is reported below.

#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results

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

	Segment revenue		Segment (loss) profit	
	Six months ended		Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hospitality services	<b>85,355</b>	289,009	<b>(60,657)</b>	68,472
- Best Western Plus Hotel Kowloon	<b>9,486</b>	36,326	<b>(12,983)</b>	3,912
- Best Western Plus Hotel Hong Kong	<b>15,582</b>	43,122	<b>(1,881)</b>	16,424
- Magnificent International Hotel, Shanghai	<b>1,666</b>	8,150	<b>(3,350)</b>	11
- Best Western Hotel Causeway Bay	<b>8,573</b>	31,573	<b>(8,139)</b>	6,562
- Ramada Hong Kong Harbour View	<b>14,387</b>	51,823	<b>(3,610)</b>	18,981
- Best Western Grand Hotel	<b>13,397</b>	52,349	<b>(15,058)</b>	10,528
- Grand City Hotel	<b>8,372</b>	25,027	<b>(4,535)</b>	6,048
- Ramada Hong Kong Grand View	<b>13,892</b>	40,639	<b>(11,101)</b>	6,006
Property investment	<b>85,269</b>	81,025	<b>(99,878)</b>	90,708
- 633 King's Road	<b>56,102</b>	52,183	<b>15,347</b>	61,965
- Shun Ho Tower	<b>10,385</b>	12,103	<b>(17,578)</b>	12,004
- Shops, hotel and residential property	<b>18,782</b>	16,739	<b>(97,647)</b>	16,739
Securities investment	<b>53</b>	163	<b>53</b>	163
	<b><u>170,677</u></b>	<b><u>370,197</u></b>	<b>(160,482)</b>	159,343
Other income and expenses and gains and losses			<b>10,128</b>	8,788
Administrative expenses			<b>(25,328)</b>	(24,382)
Finance costs			<b>(10,077)</b>	(11,171)
(Loss) profit before taxation			<b><u>(185,759)</u></b>	<b><u>132,578</u></b>

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2019 <i>HK\$'000</i> (unaudited)
Interests on:		
Bank loans	<b>9,909</b>	11,171
Amount due to an intermediate holding company	<u><b>168</b></u>	<u>-</u>
	<u><b>10,077</b></u>	<u>11,171</u>

## 6. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2019 <i>HK\$'000</i> (unaudited)
The taxation expense comprises:		
Current tax		
Hong Kong	<b>8,953</b>	20,798
The United Kingdom (the "UK")	<u><b>3,041</b></u>	<u>2,507</u>
	<b>11,994</b>	23,305
(Over)underprovision in prior years		
Hong Kong	<b>(311)</b>	-
The UK	<u><b>131</b></u>	<u>(102)</u>
	<b>11,814</b>	23,203
Deferred tax	<u><b>(8,413)</b></u>	<u>1,512</u>
	<u><b>3,401</b></u>	<u>24,715</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, 2020 (six months ended 30th June, 2019: 16.5%).

Taxation arising in the People's Republic of China 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. (LOSS) PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30.6.2020</b>	30.6.2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	<b>391</b>	407
Depreciation of property, plant and equipment	<b>55,392</b>	55,522
Interest on bank deposits (Note)	<b>(416)</b>	(4,955)
Loss (gain) on disposal of property, plant and equipment (Note)	<u><b>7</b></u>	<u>(3,318)</u>

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

## 8. DIVIDEND

During the six months ended 30th June, 2020, no final dividend was declared and paid to shareholders for the year ended 31st December, 2019 (six months ended 30th June, 2019: a final dividend of HK4.98 cents per share amounting to HK\$25,478,000 was declared and paid to shareholders for the year ended 31st December, 2018).

The directors have resolved not to declare or propose an interim dividend for the six months ended 30th June, 2020 (six months ended 30th June, 2019: HK\$1.95 cents per share amounting to HK\$9,976,000).

## 9. (LOSS) EARNINGS PER SHARE

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

Diluted (loss) earnings per share for both periods are not presented as there are no potential ordinary shares outstanding during both periods.

## 10. TRADE AND OTHER RECEIVABLES

	As at 30.6.2020 <i>HK\$'000</i> (unaudited)	As at 31.12.2019 <i>HK\$'000</i> (audited)
Trade receivables from contracts with customers	2,584	4,246
Lease receivables	3,214	1,182
Other receivables	<u>14,239</u>	<u>4,185</u>
	<u><b>20,037</b></u>	<u><b>9,613</b></u>

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

	As at 30.6.2020 <i>HK\$'000</i> (unaudited)	As at 31.12.2019 <i>HK\$'000</i> (audited)
Not yet due	5,524	5,378
Overdue:		
0 - 30 days	52	41
31 - 60 days	108	9
61 - 90 days	<u>114</u>	<u>-</u>
	<u><b>5,798</b></u>	<u><b>5,428</b></u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30.6.2020 <i>HK\$'000</i> (unaudited)	As at 31.12.2019 <i>HK\$'000</i> (audited)
Trade payables	2,066	2,697
Other payables and accruals	<u>44,840</u>	<u>48,238</u>
	<u><b>46,906</b></u>	<u><b>50,935</b></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 30.6.2020 <i>HK\$'000</i> (unaudited)	As at 31.12.2019 <i>HK\$'000</i> (audited)
0 - 30 days	1,889	2,601
31 - 60 days	34	54
61 - 90 days	<u>143</u>	<u>42</u>
	<u><b>2,066</b></u>	<u><b>2,697</b></u>

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2020 (six months ended 30th June, 2019: HK1.95 cents per share).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	Six months ended		Change
	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	
Revaluation adjustment of investment properties	10,000	(184,229)	N/A
Profit (loss) from operation of hotels	64,655	(64,692)	N/A
- Profit (loss)	116,124	(13,279)	
- Depreciation	(51,469)	(51,413)	
Profit from properties rental income	73,354	78,309	+7%
Income from securities investments	163	53	-67%
Other income and expenses and gains and losses	<u>8,788</u>	<u>10,128</u>	+15%
	156,960	(160,431)	N/A
Administrative expenses	(24,382)	(25,328)	+4%
Income tax expense	<u>(24,715)</u>	<u>(3,401)</u>	-86%
Profit (loss) after taxation	107,863	(189,160)	N/A
Non-controlling interests	<u>(16,397)</u>	<u>46,829</u>	N/A
Profit (loss) after taxation and non-controlling interests	<u>91,466</u>	<u>(142,331)</u>	N/A

The overall loss for the six months ended 30th June, 2020 was mainly due to the hotel operating loss, revaluation loss and depreciation.

## PERFORMANCE

### 1. Hotel Business

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

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

Loss for the period attributable to owners of Magnificent Hotel for the six months ended 30th June, 2020 was HK\$154 million (profit for the six months ended 30th June, 2019: HK\$58 million), decreased by HK\$212 million.

	Six months ended		Change
	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	
Revaluation adjustment of investment properties	-	(116,429)	N/A
Profit (loss) from operation of hotels	63,261	(49,907)	N/A
- Profit (loss)	101,208	(12,111)	
- Depreciation	(37,947)	(37,796)	
Profit from properties rental income	14,566	17,182	+18%
Income from securities investments	3,557	53	-99%
Other income and expenses and gains and losses	8,804	9,489	+8%
	90,188	(139,612)	N/A
Administrative expenses	(18,698)	(19,113)	+2%
Income tax (expense) credit	(13,891)	4,866	N/A
Profit (loss) after taxation	57,599	(153,859)	N/A

The overall loss for the six months ended 30th June, 2020 was mainly due to the hotel operating loss, revaluation loss and depreciation.

- For the six months ended 30th June, 2020, the **GROUP'S INCOME** of **Magnificent Hotel** was mostly derived from the aggregate of income from operation of hotels and investment properties rental income, which was analysed as follows:

#### Income

	Six months ended		Change	Reasoning
	30.6.2019 <i>HK\$'000</i> (unaudited)	30.6.2020 <i>HK\$'000</i> (unaudited)		
Income from operation of hotels	248,370	<b>71,463</b>	-71%	Decrease in room rates and occupancies
Income from investment properties	16,739	<b>18,782</b>	+12%	Royal Scot Hotel, London and apartment leasing
Dividend income	3,557	<b>53</b>	-99%	Decrease in dividend received from stock investment
Other income	<u>8,804</u>	<u><b>9,489</b></u>	+8%	Government subsidies and currency exchange gain
<b>Total</b>	<u>277,470</u>	<u><b>99,787</b></u>	-64%	

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

Best Western Grand Hotel will be re-branded to the higher class **RAMADA HONG KONG GRAND** in August 2020.

As at 30th June, 2020, an independent third party valuation of Royal Scot Hotel, London was GBP88,500,000 (As at 30th June, 2019: GBP95,000,000). The rental income of Royal Scot Hotel, London for the period was GBP1,769,000, equivalent to HK\$17,474,000 (six months ended 30th June, 2019: GBP1,564,000, equivalent to HK\$15,565,000), increased by 12%.

## 2. Commercial Properties Rental Income

The commercial properties rental income was derived from the hotel property in UK, Royal Scot Hotel in London, office buildings of Shun Ho Tower, 633 King's Road and shops from Best Western Plus Hotel Kowloon, Best Western Plus Hotel Hong Kong and Best Western Grand Hotel amounted to HK\$85 million (six months ended 30th June, 2019: HK\$81 million).

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$21.0 million (six months ended 30th June, 2019: HK\$19.9 million), representing costs for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses. The increase was due to the professional fee arising from acquisition of Wood Street Hotel in London.

### LIQUIDITY

- As at 30th June, 2020, the **OVERALL DEBTS** of the Group including Magnificent Hotel and its subsidiaries was HK\$1,270 million (31st December, 2019: HK\$907 million). The increase in overall debts was due to the increase in bank borrowings during the period to make up appropriate cash reserve in deposits in case of any banking system disorder in Hong Kong because of the unstable social situation. Subsequently, HK\$95.4 million bank loan was repaid on 22nd July, 2020. The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) in terms of overall debts against funds employed was 16% (31st December, 2019: 11%).

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

As at 30th June, 2020, the Group had a total number of 570 employees (31st December, 2019: 698 employees). Remuneration and benefit were set with reference to the market.

## **BUSINESS HIGHLIGHTS**

During the period, the tourism market in Hong Kong was most devastated by the local social unrest and the COVID-19. Overseas/PRC visitors have dropped to less than 100 a day and most hotels and retail stores suffer from an over 90% drop in turnover. Our hotel management achieved a reduction of operating costs of HK\$72 million (approximately 44%) while maintaining high occupancies above 80%.

During the period, the rental income of Royal Scot Hotel, London increased by 12% compared with the same period last year and other commercial properties remained almost fully letted but retail income properties suffer substantial rental reduction.

The Group acquired Wood Street Police Headquarter building in the centre of City of London for GBP40 million on 29th January, 2020 which has a gross internal area of 117,472 s.f. on a 20,000 s.f. island site for the refurbishment of a deluxe hotel of about 210 guest rooms and restaurants, bar and facilities. The management is proud of having this opportunity to renovate this landmark heritage building in the centre of City of London.

## **LOOKING AHEAD**

The Group has nine income producing hotels, seven in Hong Kong, one in Shanghai, one in London, and the newly acquired Wood Street Hotel refurbishment project in London.

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

It is the management's view that with the remaining months of this financial year due to the continuous COVID-19 effect, unstable US-China relationship, it is quite unlikely overseas/PRC visitors will return to Hong Kong in significant volume. Hotels and retail stores will continue to suffer from low occupancies and high operating costs. The management will continue to try to maintain high hotel occupancies and to control hotel operating costs.

Most of the tenants at the Group's 633 King's Road office building and Shun Ho Tower are multinational trading companies and because of the US/China trade war, retail closures due to the street violence and the nearly collapsed economies, those trading companies tenants are experiencing difficulties. Thus, it is expected the vacancies of the buildings may increase quickly.

In longer term, the continuous adverse US-China relationship will impact on the geopolitics, which will continue to damage any tourism and economy recovering.

## **PUBLIC FLOAT**

As at the date of this announcement, based on information that was publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float as required under the Rules Governing the Listing of Securities.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2020.

## CORPORATE GOVERNANCE

### (a) Compliance with the Corporate Governance Code

During the six months ended 30th June, 2020, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

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

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

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

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

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

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

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

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



**(b) Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code during the period for the six months ended 30th June, 2020.

**REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2020.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 19th August, 2020

*As at the date hereof, the Board of the Company comprises five Executive Directors, namely Mr. William CHENG Kai Man (Chairman), Mr. Albert HUI Wing Ho, Madam Kimmy LAU Kam May, Madam NG Yuet Ying and Madam Wendy CHENG Wai Kwan; one Non-Executive Director, namely, Madam Mabel LUI FUNG Mei Yee; and three Independent Non-Executive Directors, namely, Mr. Vincent KWOK Chi Sun, Mr. CHAN Kim Fai and Mr. LAM Kwai Cheung.*