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# 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, 2020

### RESULTS

The board of directors (the “Board”) of Shun Ho Property Investments Limited (the “Company”) announces that the loss for the year attributable to owners of the Company for the year ended 31st December, 2020 was HK\$172 million (profit for 2019: HK\$17 million), decreased by HK\$189 million. 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, 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	3		
Contracts with customers		217,608	452,148
Leases		170,250	164,862
Dividend income		<u>53</u>	<u>299</u>
Total revenue		387,911	617,309
Cost of sales		(868)	(3,747)
Other service costs		(163,936)	(307,535)
Depreciation of property, plant and equipment		(102,071)	(102,019)
Depreciation of right-of-use asset		<u>(853)</u>	<u>(797)</u>
Gross profit		120,183	203,211
Decrease in fair value of investment properties		(286,510)	(105,800)
Other income and expenses and gains and losses		12,617	36,839
Administrative expenses		(49,998)	(53,264)
- Depreciation		(6,913)	(9,306)
- Others		<u>(43,085)</u>	<u>(43,958)</u>
Finance costs	5	<u>(16,345)</u>	<u>(23,204)</u>
(Loss) profit before taxation	6	(220,053)	57,782
Income tax expense	7	<u>(15,403)</u>	<u>(33,726)</u>
(Loss) profit for the year		<u>(235,456)</u>	<u>24,056</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(171,635)	17,311
Non-controlling interests		<u>(63,821)</u>	<u>6,745</u>
		<u>(235,456)</u>	<u>24,056</u>
		HK cents	HK cents
(Loss) earnings per share	9		
Basic		<u>(33.55)</u>	<u>3.38</u>

**Consolidated Statement of Total Comprehensive Income**  
*For the year ended 31st December, 2020*

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit for the year	<u>(235,456)</u>	<u>24,056</u>
<b>Other comprehensive (expense) income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Fair value loss on equity instruments at fair value through other comprehensive income	(49,038)	(29,638)
Revaluation surplus regarding transfer from property, plant and equipment at cost to investment properties at fair value	910	-
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u>47,346</u>	<u>17,379</u>
Other comprehensive expense for the year	<u>(782)</u>	<u>(12,259)</u>
Total comprehensive (expense) income for the year	<u>(236,238)</u>	<u>11,797</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(172,193)	8,597
Non-controlling interests	<u>(64,045)</u>	<u>3,200</u>
	<u>(236,238)</u>	<u>11,797</u>

## Consolidated Statement of Financial Position

At 31st December, 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
<b>Non-Current Assets</b>			
Property, plant and equipment		3,608,818	3,772,036
Right-of-use asset		27,629	26,481
Investment properties		5,224,310	4,937,300
Deposit paid for acquisition of an investment property		-	429,470
Equity instruments at fair value through other comprehensive income		<u>64,191</u>	<u>113,229</u>
		<u>8,924,948</u>	<u>9,278,516</u>
<b>Current Assets</b>			
Inventories		1,208	1,352
Trade and other receivables	10	13,080	9,613
Other deposits and prepayments		17,109	12,734
Bank balances and cash		<u>173,672</u>	<u>152,176</u>
		<u>205,069</u>	<u>175,875</u>
<b>Current Liabilities</b>			
Trade and other payables and accruals	11	35,414	50,935
Rental and other deposits received		11,982	10,098
Contract liabilities		22,922	2,066
Amount due to an intermediate holding company		34,294	5,843
Tax liabilities		14,203	39,934
Bank loans		<u>170,948</u>	<u>203,153</u>
		<u>289,763</u>	<u>312,029</u>
<b>Net Current Liabilities</b>		<u>(84,694)</u>	<u>(136,154)</u>
<b>Total Assets less Current Liabilities</b>		<u>8,840,254</u>	<u>9,142,362</u>
<b>Capital and Reserves</b>			
Share capital		1,084,887	1,084,887
Reserves		<u>5,848,396</u>	<u>6,020,589</u>
Equity attributable to owners of the Company		6,933,283	7,105,476
Non-controlling interests		<u>1,074,016</u>	<u>1,138,061</u>
<b>Total Equity</b>		<u>8,007,299</u>	<u>8,243,537</u>
<b>Non-Current Liabilities</b>			
Bank loans		645,237	697,682
Rental deposits received		30,158	35,414
Deferred tax liabilities		<u>157,560</u>	<u>165,729</u>
		<u>832,955</u>	<u>898,825</u>
		<u>8,840,254</u>	<u>9,142,362</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 and services.

The financial information relating to the years ended 31st December, 2020 and 2019 included in this preliminary announcement of annual results 2020 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, 2019 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, 2020 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 AMENDMENTS TO HKFRSs

### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by HKICPA for the first time:

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

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

### 3. REVENUE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Income from operation of hotels	217,608	452,148
Income from property rental	170,250	164,862
Dividend income	<u>53</u>	<u>299</u>
	<u><b>387,911</b></u>	<u><b>617,309</b></u>

### 4. SEGMENT INFORMATION

HKFRS 8 “Operating Segments” requires operating and reportable segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the Chairman of the Company, for the purpose of allocating resources to segments and assessing their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments under HKFRS 8 are therefore 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 - Ramada Hong Kong Grand  
(formerly known as 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, hotel and residential properties
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:

	<u>Segment revenue</u>		<u>Segment results</u>	
	Year ended		Year ended	
	31st December,		31st December,	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hospitality services	<b>217,608</b>	452,148	<b>(48,835)</b>	39,048
- Best Western Plus Hotel Kowloon	<b>24,526</b>	54,544	<b>(16,041)</b>	(5,765)
- Best Western Plus Hotel Hong Kong	<b>35,544</b>	68,515	<b>5,278</b>	20,273
- Magnificent International Hotel, Shanghai	<b>8,272</b>	18,079	<b>(2,327)</b>	(1,542)
- Best Western Hotel Causeway Bay	<b>23,220</b>	48,350	<b>(8,662)</b>	1,597
- Ramada Hong Kong Harbour View (formerly known as Best Western Hotel Harbour View)	<b>36,385</b>	81,114	<b>4,327</b>	22,153
- Ramada Hong Kong Grand (formerly known as Best Western Grand Hotel)	<b>36,068</b>	77,150	<b>(16,605)</b>	(1,071)
- Grand City Hotel	<b>19,844</b>	38,867	<b>(2,004)</b>	3,831
- Ramada Hong Kong Grand View (formerly known as Grand View Hotel)	<b>33,749</b>	65,529	<b>(12,801)</b>	(428)
Property investment	<b>170,250</b>	164,862	<b>(117,545)</b>	58,064
- 633 King's Road	<b>111,046</b>	105,219	<b>70,064</b>	54,456
- Shun Ho Tower	<b>19,706</b>	23,690	<b>(46,797)</b>	(4,345)
- Shops, hotel and residential properties	<b>39,498</b>	35,953	<b>(140,812)</b>	7,953
Securities investment	<b>53</b>	299	<b>53</b>	299
	<b><u>387,911</u></b>	<b><u>617,309</u></b>	<b><u>(166,327)</u></b>	<b><u>97,411</u></b>
Other income and expense and gains and losses			<b>12,617</b>	36,839
Administration expenses			<b>(49,998)</b>	(53,264)
Finance costs			<b>(16,345)</b>	(23,204)
(Loss) profit before taxation			<b><u>(220,053)</u></b>	<b><u>57,782</u></b>

##### 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:

	2020	2019
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<b>342,276</b>	565,384
The PRC	<b>8,272</b>	18,079
The UK	<b>37,363</b>	33,846
	<b><u>387,911</u></b>	<b><u>617,309</u></b>

## 5. FINANCE COSTS

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on:		
Bank loans	<b>15,831</b>	23,204
Amount due to an intermediate holding company	<u><b>514</b></u>	<u>-</u>
	<u><b>16,345</b></u>	<u>23,204</u>

## 6. (LOSS) PROFIT BEFORE TAXATION

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	<b>3,830</b>	3,889
Staff costs including directors' emoluments	<b>115,116</b>	223,054
Depreciation of property, plant and equipment	<b>108,984</b>	111,325
Depreciation of right-of-use asset	<b>853</b>	797
Gross rental income from investment properties	<b>(170,250)</b>	(164,862)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u><b>1,285</b></u>	<u>998</u>
	<u><b>(168,965)</b></u>	<u>(163,864)</u>

## 7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The taxation expense comprises:		
Current tax		
Hong Kong	17,623	25,789
PRC Enterprise Income Tax	-	252
The UK	<u>6,501</u>	<u>5,582</u>
	24,124	31,623
(Over)underprovision in prior years		
Hong Kong	(433)	-
PRC Enterprise Income Tax	(257)	-
The UK	<u>138</u>	<u>(104)</u>
	23,572	31,519
Deferred tax	<u>(8,169)</u>	<u>2,207</u>
	<u>15,403</u>	<u>33,726</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. DIVIDEND

Dividends recognised as distribution during the year:

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Final dividend in respect of the year ended 31st December, 2019 of nil (2019: Final dividend in respect of the year ended 31st December, 2018 of HK4.98 cents) per share was paid to shareholders	-	25,478
Interim dividend in respect of the six months ended 30th June, 2020 of nil (2019: Interim dividend in respect of the six months ended 30th June, 2019 of HK1.95 cents) per share payable to shareholders	<u>-</u>	<u>9,976</u>
	<u>-</u>	<u>35,454</u>

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

No final dividend was proposed by the directors for ordinary shareholders of the Company since the end of the reporting period.

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the year attributable to owners of the Company of HK\$171,635,000 (profit for 2019: HK\$17,311,000) and on 511,613,000 shares (2019: 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 of the Company.

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

## 10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from contracts with customers	3,257	4,246
Lease receivables	3,590	1,182
Other receivables	<u>6,233</u>	<u>4,185</u>
	<u><b>13,080</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not yet due	6,807	5,378
Overdue:		
0-30 days	24	41
31-60 days	1	9
61-90 days	<u>15</u>	<u>-</u>
	<u><b>6,847</b></u>	<u><b>5,428</b></u>

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	2,945	2,697
Other payables and accruals	<u>32,469</u>	<u>48,238</u>
	<u><b>35,414</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	2,505	2,601
31-60 days	439	54
61-90 days	<u>1</u>	<u>42</u>
	<u><b>2,945</b></u>	<u><b>2,697</b></u>

## **DIVIDEND**

In deciding whether to distribute the final dividend and its amount, the Board has reviewed the Company's adopted dividend policy, the Board considers the current COVID-19 crisis may continue to affect international travels for a long time and may cause significant hotel operating losses of the Group's hotel businesses and drop of rental incomes that may strain on the cash flow of the Group, the Board does not recommend the payment of final dividend for the year ended 31st December, 2020 (2019: Nil).

## **BOOK CLOSURE**

To ascertain shareholders' eligibility to attend and vote at the annual general meeting to be held on Friday, 21st May, 2021 ("AGM"), the register of members will be closed from Friday, 14th May, 2021 to Friday, 21st May, 2021, both days 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 Thursday, 13th May, 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year, 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 year attributable to owners of the Company for the year ended 31st December, 2020 was HK\$172 million (profit for the year ended 31st December, 2019: HK\$17 million), decreased by HK\$189 million.

	2019 <i>HK\$'000</i>	2020 <b><i>HK\$'000</i></b>	Change
Profit (loss) from operation of hotels	31,217	<b>(55,549)</b>	N/A
Profit (loss) from property investment	42,691	<b>(127,176)</b>	N/A
Income from securities investments	299	<b>53</b>	-82%
Other income and expenses and gains and losses	<u>36,839</u>	<b><u>12,617</u></b>	-66%
	111,046	<b>(170,055)</b>	N/A
Administrative expenses	(53,264)	<b>(49,998)</b>	-6%
Income tax expense	<u>(33,726)</u>	<b><u>(15,403)</u></b>	-54%
Profit (loss) after taxation	24,056	<b>(235,456)</b>	N/A
Non-controlling interests	<u>(6,745)</u>	<b><u>63,821</u></b>	N/A
Profit (loss) after taxation and non-controlling interests	17,311	<b>(171,635)</b>	N/A

The overall loss for the year ended 31st December, 2020 was mainly due to drop in hotel revenue, revaluation loss and depreciation.

## PERFORMANCE

### 1. Hotel Business

The income from hotel operations of the Group amounted to HK\$218 million (2019: HK\$452 million), decreased by 52%.

The Group owns 71.09% of Magnificent Hotel Investments Limited (“Magnificent Hotel”, together with its subsidiaries, “Magnificent Hotel Group”) 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) Ramada Hong Kong Grand, (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 year attributable to owners of Magnificent Hotel for the year ended 31st December, 2020 was HK\$202 million (profit for the year ended 31st December, 2019: HK\$32 million), decreased by HK\$234 million.

	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change
Profit (loss) from operation of hotels	41,068	(34,521)	N/A
Profit (loss) from property investment	3,598	(145,388)	N/A
Income from securities investments	5,021	53	-99%
Other income and gains and losses	<u>36,850</u>	<u>11,662</u>	-68%
	86,537	(168,194)	N/A
Administrative expenses	(40,404)	(35,731)	-12%
Income tax (expense) credit	<u>(14,302)</u>	<u>2,215</u>	N/A
Profit (loss) after taxation	31,831	(201,710)	N/A

The overall loss for the year ended 31st December, 2020 was mainly due to drop in hotel revenue, revaluation loss and depreciation.

- For the year ended 31st December, 2020, the **GROUP'S INCOME** of **Magnificent Hotel** was mostly derived from the aggregate of income from operation of hotels and investment properties, which was analysed as follows:

#### Income

	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change	Reason
Income from operation of hotels	386,619	<b>183,859</b>	-52%	Decrease in room rates and occupancies
Income from investment properties	35,953	<b>39,498</b>	+10%	Royal Scot Hotel, London and apartment leasing
Dividend income	5,021	<b>53</b>	-99%	Decrease in dividend received from stock investment
Other income	<u>36,850</u>	<u><b>11,662</b></u>	-68%	
<b>Total</b>	<u><u>464,443</u></u>	<u><u><b>235,072</b></u></u>	-49%	

The total income for the Magnificent Hotel Group decreased by 49% from HK\$464 million to HK\$235 million for the same year compared with last year. During the year, the Group's hotel operating expenses were reduced by **HK\$146 million**. The Group's staff were reduced from 698 to 566 due to operation costs saving, while average hotel occupancies was above 85%.

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

As at 31st December, 2020, an independent third party valuation of the Royal Scot Hotel, London was GBP83,000,000 (2019: GBP 95,000,000) resulted in decrease in fair value of investment properties of GBP12 million, equivalent to HK\$125 million. The rental income of Royal Scot Hotel, London for the year was GBP 3,547,000, equivalent to HK\$36,889,000 (2019: GBP 3,351,000, equivalent to HK\$33,846,000), increased by 6%.

## 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 Ramada Hong Kong Grand amounted to HK\$170 million (2019: HK\$165 million).

During the year, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$43 million (2019: HK\$44 million), representing costs for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses, office expenses and the professional fee paid for the acquisition of the Wood Street Hotel project, London.

## LIQUIDITY

- As at 31st December, 2020, the **OVERALL DEBTS** of the Group including Magnificent Hotel and its subsidiaries was HK\$850 million (2019: HK\$907 million). The decrease in overall debts was due to the 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 11% (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 31st December, 2020, the Group had a total number of 566 employees (2019: 698 employees). Remuneration and benefit were set with reference to the market.

## BUSINESS HIGHLIGHT

During the period, the tourism market in Hong Kong was most devastated by the COVID-19. Overseas/PRC visitors have dropped to less than 10 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\$146 million (approximately 47%) while maintaining high occupancy rates of above 85%.**

During the period, the rental income of Royal Scot Hotel, London increased by 6% 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 with an intention to refurbish a deluxe hotel of about 210 guest rooms and restaurants, bar and facilities (subject to approval). 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 and COVID-19 which have 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 in 2020, due to the continuous COVID-19 effect and unstable US-China relationship, it is quite unlikely that overseas/PRC visitors will return to Hong Kong. Hotels in Hong Kong and retail stores will continue to suffer from low occupancies and high operating costs. The management will continue to try 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 and retail closures that weakened economy and consumption index, 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 may continue to damage any international tourism and economy recovering.

## **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 year ended 31st December, 2020.



## CORPORATE GOVERNANCE

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

During the year ended 31st December, 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 the Chairman and the Chief Executive Officer. Mr. William Cheng Kai Man holds both positions. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It also facilitates planning and execution of the Company’s strategy and is hence, for the interests of the Company and its shareholders. It is also significantly cost-saving for Mr. Cheng, the Chairman to also serve as the Chief Executive Officer, which would have otherwise been recruited from the market at a heavy cost.

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

Except three independent 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. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code throughout 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, 2020.

**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, 2020 as set out in this 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 this preliminary announcement.

By Order of the Board

**William Cheng Kai Man**  
*Chairman*

Hong Kong, 19th March, 2021

*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.*