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# SHUN HO HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 253)

## 2022 INTERIM RESULTS

### RESULTS

The board of directors (the “Board”) of Shun Ho Holdings Limited (the “Company”) announces that the profit for the period attributable to owners of the Company for the six months ended 30th June, 2022 was HK\$31 million (six months ended 30th June, 2021: HK\$4 million), increased by HK\$27 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, 2022

	NOTES	Six months ended 30.6.2022 HK\$ '000 (unaudited)	30.6.2021 HK\$ '000 (unaudited)
Revenue	3		
Contracts with customers		286,391	145,436
Leases		77,161	86,909
Dividend income		42	-
Total revenue		363,594	232,345
Cost of sales		(18,138)	(333)
Other service costs		(90,387)	(92,646)
Depreciation of property, plant and equipment		(51,147)	(50,885)
Depreciation of right-of-use assets		(419)	(427)
Gross profit		203,503	88,054
Net decrease in fair value of investment properties		(53,700)	(34,470)
Other income and expenses and gains and losses		4,568	1,882
Administrative expenses		(27,907)	(22,593)
- Depreciation		(2,128)	(1,955)
- Others		(25,779)	(20,638)
Finance costs	5	(5,645)	(5,053)
Profit before taxation		120,819	27,820
Income tax expense	6	(31,784)	(14,826)
Profit for the period	7	89,035	12,994

**Condensed Consolidated Statement of Profit or Loss (Continued)**  
*For the six months ended 30th June, 2022*

	<i>NOTE</i>	<b>Six months ended</b>	
		<b>30.6.2022</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2021 <i>HK\$'000</i> (unaudited)
Profit for the period attributable to:			
Owners of the Company		<b>31,150</b>	4,293
Non-controlling interests		<u><b>57,885</b></u>	<u>8,701</u>
		<u><b>89,035</b></u>	<u>12,994</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
Basic		<u><b>12.88</b></u>	<u>1.78</u>

**Condensed Consolidated Statement of Total Comprehensive Income**  
*For the six months ended 30th June, 2022*

	<b>Six months ended</b>	
	<b>30.6.2022</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>30.6.2021</b> <i>HK\$'000</i> <b>(unaudited)</b>
Profit for the period	<u>89,035</u>	<u>12,994</u>
<b>Other comprehensive (expense) income</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	187	(62)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u>(131,077)</u>	<u>20,034</u>
Other comprehensive (expense) income for the period	<u>(130,890)</u>	<u>19,972</u>
Total comprehensive (expense) income for the period	<u>(41,855)</u>	<u>32,966</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(19,495)	11,777
Non-controlling interests	<u>(22,360)</u>	<u>21,189</u>
	<u>(41,855)</u>	<u>32,966</u>

## Condensed Consolidated Statement of Financial Position

At 30th June, 2022

	NOTES	As at 30.6.2022 HK\$'000 (unaudited)	As at 31.12.2021 HK\$'000 (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment		3,477,647	3,944,647
Right-of-use asset		25,926	27,657
Investment properties		4,699,520	4,787,605
Deposits paid for acquisition of investment properties		-	5,500
Deposit paid for acquisition of a subsidiary		142,070	-
Equity instruments at fair value through other comprehensive income		<u>1,495</u>	<u>1,308</u>
		<u>8,346,658</u>	<u>8,766,717</u>
<b>Current Assets</b>			
Inventories		1,378	1,316
Trade and other receivables	9	58,342	11,961
Other deposits and prepayments		14,565	12,431
Financial assets at fair value through profit or loss		-	12,450
Bank balances and cash		<u>307,253</u>	<u>262,453</u>
		381,538	300,611
Assets classified as held for sale		<u>380,526</u>	-
		<u>762,064</u>	<u>300,611</u>
<b>Current Liabilities</b>			
Trade and other payables and accruals	10	38,035	40,841
Rental and other deposits received		31,462	18,183
Contract liabilities		63,779	34,681
Amount due to ultimate holding company		37,272	40,070
Amount due to a shareholder		5,088	5,088
Tax liabilities		29,487	5,120
Bank loans		<u>765,297</u>	<u>738,408</u>
		970,420	882,391
Liabilities associated with assets classified as held for sale		<u>8,371</u>	-
		<u>978,791</u>	<u>882,391</u>
<b>Net Current Liabilities</b>		<u>(216,727)</u>	<u>(581,780)</u>
<b>Total Assets less Current Liabilities</b>		<u>8,129,931</u>	<u>8,184,937</u>
<b>Capital and Reserves</b>			
Share capital		172,252	172,252
Reserves		<u>3,850,010</u>	<u>3,864,005</u>
Equity attributable to owners of the Company		4,022,262	4,036,257
Non-controlling interests		<u>3,936,999</u>	<u>3,965,408</u>
<b>Total Equity</b>		<u>7,959,261</u>	<u>8,001,665</u>
<b>Non-Current Liabilities</b>			
Rental deposits received		6,193	21,146
Deferred tax liabilities		<u>164,477</u>	<u>162,126</u>
		<u>170,670</u>	<u>183,272</u>
		<u>8,129,931</u>	<u>8,184,937</u>

*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, 2021 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, 2021 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\$216,727,000 as at 30th June, 2022. 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 ultimate holding company and the shareholder 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 in conformity with principles applicable to 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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2021.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Accounting policies which became relevant to the Group

#### Non-current assets held for sale

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### *Application of amendments to HKFRSs*

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the Group's annual period on 1st January, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim 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:

	<b>Six months ended</b>	
	<b>30.6.2022</b>	30.6.2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Income from operation of hotels	<b>286,391</b>	145,436
Income from property rental	<b>77,161</b>	86,909
Dividend income	<b>42</b>	-
	<b><u>363,594</u></b>	<u>232,345</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
6. Hospitality services - Ramada Hong Kong Grand
7. Hospitality services - Grand City Hotel
8. Hospitality services - Ramada Hong Kong Grand View
9. Hospitality services - Wood Street Hotel
10. Property investment - 633 King’s Road
11. Property investment - Shun Ho Tower
12. Property investment - Shops, hotel and residential properties
13. Securities investment

Information regarding the above segments is reported below.

#### 4. SEGMENT INFORMATION (Continued)

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

	<u>Segment revenue</u>		<u>Segment results</u>	
	<u>Six months ended</u>		<u>Six months ended</u>	
	<b>30.6.2022</b>	30.6.2021	<b>30.6.2022</b>	30.6.2021
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
Hospitality services	<b>286,391</b>	145,436	<b>125,953</b>	1,574
- Best Western Plus Hotel Kowloon	<b>12,090</b>	9,277	<b>(6,927)</b>	(11,191)
- Best Western Plus Hotel Hong Kong	<b>26,526</b>	24,070	<b>7,438</b>	7,598
- Magnificent International Hotel, Shanghai	<b>9,870</b>	7,577	<b>2,452</b>	405
- Best Western Hotel Causeway Bay	<b>43,947</b>	17,020	<b>26,387</b>	(42)
- Ramada Hong Kong Harbour View	<b>75,535</b>	26,727	<b>53,215</b>	8,384
- Ramada Hong Kong Grand	<b>69,439</b>	21,613	<b>36,995</b>	(6,453)
- Grand City Hotel	<b>19,215</b>	13,209	<b>6,442</b>	1,017
- Ramada Hong Kong Grand View	<b>29,769</b>	25,943	<b>1,077</b>	1,856
- Wood Street Hotel	-	-	<b>(1,126)</b>	
Property investment	<b>77,161</b>	86,909	<b>22,682</b>	52,010
- 633 King's Road	<b>49,128</b>	54,933	<b>8,455</b>	44,703
- Shun Ho Tower	<b>9,122</b>	8,993	<b>(4,684)</b>	(20,006)
- Shops, hotel and residential property	<b>18,911</b>	22,983	<b>18,911</b>	27,313
Securities investment	<b>42</b>	-	<b>42</b>	-
	<b><u>363,594</u></b>	<u>232,345</u>	<b>148,677</b>	53,584
Other income and expenses and gains and losses			<b>4,568</b>	1,882
Administrative expenses			<b>(26,781)</b>	(22,593)
Finance costs			<b>(5,645)</b>	(5,053)
Profit before taxation			<b><u>120,819</u></b>	<u>27,820</u>



## 5. FINANCE COSTS

	Six months ended	
	30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)
Interests on :		
Bank loans	4,825	3,949
Amount due to ultimate holding company	<u>820</u>	<u>1,104</u>
	<u>5,645</u>	<u>5,053</u>

## 6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2022 HK\$'000 (unaudited)	30.6.2021 HK\$'000 (unaudited)
The taxation expense comprises:		
Current tax		
Hong Kong	24,501	8,774
The People's Republic of China (the "PRC")	209	-
The United Kingdom (the "UK")	<u>3,108</u>	<u>4,029</u>
	<u>27,818</u>	<u>12,803</u>
(Over)underprovision in prior years		
Hong Kong	(40)	(40)
The UK	<u>-</u>	<u>298</u>
	<u>27,778</u>	<u>13,061</u>
Deferred tax	<u>4,006</u>	<u>1,765</u>
	<u>31,784</u>	<u>14,826</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, 2022 (six months ended 30th June, 2021: 16.5%).

Taxation arising in the PRC and the UK are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year prevailing in the relevant jurisdictions.

## 7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2022 <i>HK\$'000</i> (unaudited)	30.6.2021 <i>HK\$'000</i> (unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of right-of-use assets	419	427
Depreciation of property, plant and equipment	53,275	52,840
Interest on bank deposits (Note)	(204)	(136)
Loss (gain) on disposal of property, plant and equipment (Note)	<u>449</u>	<u>(709)</u>

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

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$31,150,000 (six months ended 30th June, 2021: HK\$4,293,000) and on 241,766,000 shares (six months ended 30th June, 2021: 241,766,000 shares) in issue during the period. The number of shares adopted in the calculation of the earnings per share has been arrived at after eliminating the shares in the Company held by a subsidiary of the Company.

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

## 9. TRADE AND OTHER RECEIVABLES

	As at 30.6.2022 HK\$'000 (unaudited)	As at 31.12.2021 HK\$'000 (audited)
Trade receivables from contracts with customers	48,307	4,660
Lease receivables	2,434	3,073
Other receivables	<u>7,601</u>	<u>4,228</u>
	<u><b>58,342</b></u>	<u><b>11,961</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 30.6.2022 HK\$'000 (unaudited)	As at 31.12.2021 HK\$'000 (audited)
Not yet due	41,025	7,722
Overdue:		
0 - 30 days	9,657	-
31 - 60 days	-	-
61 - 90 days	<u>59</u>	<u>11</u>
	<u><b>50,741</b></u>	<u><b>7,733</b></u>

## 10. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30.6.2022 HK\$'000 (unaudited)	As at 31.12.2021 HK\$'000 (audited)
Trade payables	4,814	5,351
Other payables and accruals	<u>33,221</u>	<u>35,490</u>
	<u><b>38,035</b></u>	<u><b>40,841</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 30.6.2022 HK\$'000 (unaudited)	As at 31.12.2021 HK\$'000 (audited)
0 - 30 days	4,756	5,320
31 - 60 days	57	4
61 - 90 days	<u>1</u>	<u>27</u>
	<u><b>4,814</b></u>	<u><b>5,351</b></u>

## **INTERIM DIVIDEND**

In deciding whether to distribute the interim dividend and its amount, the Board has reviewed the Company's adopted dividend policy, the Board considers that reserving capital can secure the Group under the current COVID-19 crisis that may continue to affect future hotel and office rental income base, as well as to assist funding the Group's potential hotel acquisition project (as disclosed under the section headed "Material Acquisitions and Disposals and Significant Investments" in this announcement), the Board does not recommend the payment of interim dividend for the six months ended 30th June, 2022 (six months ended 30th June, 2021: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

Profit for the period attributable to owners of the Company for the six months ended 30th June, 2022 was HK\$31 million (six months ended 30th June, 2021: HK\$4 million), increased by HK\$27 million.

## **PERFORMANCE**

### **1. Hotel Business**

The income from hotel operations of the Group amounted to HK\$286 million (six months ended 30th June, 2021: HK\$145 million), increased by 97%.

The Group owns 66.18% of Shun Ho Property Investments Limited ("Shun Ho Property", together with its subsidiaries, "Shun Ho Property Group") which holds 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.

Profit for the period attributable to owners of Magnificent Hotel for the six months ended 30th June, 2022 was HK\$106 million (six months ended 30th June, 2021: HK\$9 million), increased by HK\$97 million.

	<b>Six months ended</b>		Change
	30.6.2021 <i>HK\$'000</i> (unaudited)	<b>30.6.2022</b> <i>HK\$'000</i> <b>(unaudited)</b>	
Profit from operation of hotels	373	<b>126,031</b>	+33,688%
Profit from property investment	26,245	<b>16,989</b>	-35%
Income from securities investments	-	<b>42</b>	N/A
Other income and gains and losses	<u>2,229</u>	<u><b>3,554</b></u>	+59%
	28,847	<b>146,616</b>	+408%
Administrative expenses	(15,829)	<b>(18,065)</b>	+14%
Income tax expense	<u>(4,255)</u>	<u><b>(22,546)</b></u>	+430%
Profit after taxation	8,763	<b>106,005</b>	+1,110%
Non-controlling interests	<u>(9)</u>	<u><b>(47)</b></u>	+422%
Profit after taxation and non-controlling interests	<u><u>8,754</u></u>	<u><u><b>105,958</b></u></u>	+1,110%

The overall increase in profit for the six months ended 30th June, 2022 was mainly due to increase in hotel revenue.

Since 5 out of 6 local hotels of the Magnificent Hotel Group have taken up the role of designated quarantine hotels under the government's regulation since January 2021, the total income for the Magnificent Hotel Group increased by 93% from HK\$145 million to HK\$279 million compared with last year. The significant increase in hotel revenue was due to 4 out of 5 of the quarantine hotels becoming "Community Isolation Facility" hotels from February to May 2022.

As at 30th June, 2022, an independent third party valuation of Royal Scot Hotel, London was GBP88,500,000 (As at 31st December, 2021: GBP88,500,000). Future prospect of rental increase of the Royal Scot Hotel is encouraging because annual rent increase is linked with the United Kingdom Retail Price Index, which currently hits 40-years high at 12.3% in July 2022. The rental income of Royal Scot Hotel, London for the period was GBP1,768,000 (six months ended 30th June, 2021: GBP1,768,000).

## 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\$77 million (six months ended 30th June, 2021: HK\$87 million).

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$25.8 million (six months ended 30th June, 2021: HK\$20.6 million). The increase was partly due to the cost of new acquisitions.

## LIQUIDITY

As at 30th June, 2022, the **OVERALL DEBTS** of the Group including Shun Ho Property and Magnificent Hotel and their subsidiaries were HK\$808 million (31st December, 2021: HK\$784 million). The decrease in overall debts was due to the repayment of bank borrowings during the period. The gearing ratio of the Group in terms of overall debts against funds employed was 10% (31st December, 2021: 10%).

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, 2022, the Group had a total number of 475 employees (31st December, 2021: 486 employees). Remuneration and benefit were set with reference to the market.

## **BUSINESS HIGHLIGHTS**

During the year, the tourism market in Hong Kong was most devastated by the COVID-19. The number of Overseas/PRC visitors was just 76,000 (dropped by 99%) which substantially affected hotel businesses.

Future prospect of the Royal Scot Hotel, London rental increase is encouraging because annual rent increase is linked with the United Kingdom Retail Price Index, which currently hits 40-years high at 12.3% in July 2022 and is expected to further increase.

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 and obtained planning consents approval to refurbish a deluxe hotel of about 216 guest rooms, restaurants, bar and facilities. The management is making further application to increase number of guest rooms while making preparations for the commencement of refurbishment works. The management is pleased to have 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 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 the remaining 2022, due to the continuous COVID-19 effect, it is quite unlikely that significant 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.

6 of the Group's hotels in Hong Kong and Shanghai are operating as quarantine hotels under short term contracts with the Government. It is expected that the Government may shorten quarantine hotel stays from inbound travellers, therefore the Group's hotels may resume competitions with other local hotels.

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.

Future prospects of the hotel business and rental incomes continue to be most challenging and unstable. Management will continue its effort to increase incomes and control costs.

## **MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS**

On 11 May 2022, Babenna Limited (a subsidiary of the Company) (“Babenna”) and SYP Investment Limited (an independent third party to the Group) (“SYP”) entered into a sale and purchase agreement pursuant to which Babenna agreed to sell Grand City Hotel by disposal of the entire issued share capital of Sino Money Investments Limited (a wholly-owned subsidiary of Magnificent Hotel) (“Sino Money”) and assign to SYP the loan owing by Sino Money to Babenna as at completion at a consideration of HK\$900,000,000, subject to adjustments. The disposal was approved by the shareholders at the extraordinary general meeting of the Company held on 16 August 2022. As at the date of this announcement, the disposal has not been completed. Further details of the disposal were disclosed in the Company’s announcement dated 11 May 2022 and circular dated 27 July 2022.

On 11 May 2022, Shun Ho Construction (Holdings) Limited (a subsidiary of the Company) (“Shun Ho Construction”) and Crest Incorporated (an independent third party to the Group) (“Crest”) entered into a sale and purchase agreement pursuant to which Shun Ho Construction agreed to acquire the Bay Bridge Hotel by acquisition of the entire issued share capital of Ocean Time Investments Limited (a wholly-owned subsidiary of Crest) (“Ocean Time”) and accept the assignment of the loan owing by Ocean Time to Crest as at completion at a consideration of HK\$1,420,695,000, subject to adjustments. The acquisition is subject to the approval of the shareholders of the Company. As at the date of this announcement, the acquisition has not been completed. Further details of the acquisition were disclosed in the Company’s announcement dated 11 May 2022.

The proceed of the disposal of Grand City Hotel will assist the Group in acquiring the waterfront Bay Bridge Hotel, with 435 guest rooms, restaurant, 180 covered carparks, consisting 216,314 square feet gross area (excluding 180 covered carparks) at approximately HK\$6,570 per square feet. It is anticipated that such large-size hotel would be much more cost effective for operation, with operating profit upside and capital gain potential in the long run.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures or significant investments during the period.

## **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, 2022.



## **CORPORATE GOVERNANCE**

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

From 1 January 2022, certain amendments to the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited came into effect and the requirements under the CG Code applied to all listed issuers for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

During the six months ended 30th June, 2022, the Company has complied with all the code provisions of the CG Code with the exception of the following deviation:

*Code Provision C.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.

### **(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 of the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by directors. All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code throughout the period.

## **REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2022.

By Order of the Board

**William CHENG Kai Man**  
*Chairman*

Hong Kong, 29th August, 2022

*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. Chan Kim Fai, Mr. Lam Kwai Cheung and Mr. Warren Liu Yuk Cho.*