



**SHUN HO PROPERTY
INVESTMENTS LIMITED**
順豪物業投資有限公司
(Stock Code: 219)

Interim Report 2022

CORPORATE INFORMATION

Executive Directors

Mr. William CHENG Kai Man (*Chairman*)
Mr. Albert HUI Wing Ho
Madam Kimmy LAU Kam May
Madam NG Yuet Ying
Madam Wendy CHENG Wai Kwan

Non-executive Director

Madam Mabel LUI FUNG Mei Yee

Independent Non-executive Directors

Mr. CHAN Kim Fai
Mr. LAM Kwai Cheung
Mr. Warren LIU Yuk Cho

Company Secretary

Madam KOO Ching Fan

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Solicitors

Withers
30th Floor
United Centre
95 Queensway
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited

Registered Office

3rd Floor, Shun Ho Tower
24-30 Ice House Street
Central, Hong Kong

Share Registrars

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Tel: 2980 1333

Company's Website

www.shunho.com.hk

INTERIM RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Shun Ho Property Investments Limited (the “Company”) announces that the profit attributable to owners of the Company for the six months ended 30th June, 2022 was HK\$61 million (six months ended 30th June, 2021: HK\$14 million), increased by HK\$47 million.

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 report), 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 continued with its commercial properties investment, property leasing and property development, and through its major subsidiaries continued with the 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\$61 million (six months ended 30th June, 2021: HK\$14 million), increased by HK\$47 million.

	Six months ended		
	30.6.2021	30.6.2022	Change
	HK\$’000	HK\$’000	
	(unaudited)	(unaudited)	
Profit from operation of hotels	153	125,431	+81,881%
Profit from property investment	49,139	19,420	-60%
Income from securities investments	–	42	N/A
Other income and expenses and gains and losses	<u>1,882</u>	<u>4,568</u>	+143%
	51,174	149,461	+192%
Administrative expenses	(21,964)	(27,321)	+24%
Income tax expense	<u>(14,826)</u>	<u>(31,784)</u>	+114%
Profit after taxation	14,384	90,356	+528%
Non-controlling interests	<u>(10)</u>	<u>(29,264)</u>	+292,540%
Profit after taxation and non-controlling interests	<u><u>14,374</u></u>	<u><u>61,092</u></u>	+325%

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

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 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.

	Six months ended		Change
	30.6.2021 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)	
Profit from operation of hotels	373	126,031	+33,688%
Profit from property investment	26,245	16,989	-35%
Income from securities investments	–	42	N/A
Other income and gains and losses	<u>2,229</u>	<u>3,554</u>	+59%
	28,847	146,616	+408%
Administrative expenses	(15,829)	(18,065)	+14%
Income tax expense	<u>(4,255)</u>	<u>(22,546)</u>	+430%
Profit after taxation	8,763	106,005	+1,110%
Non-controlling interests	<u>(9)</u>	<u>(47)</u>	+422%
Profit after taxation and non-controlling interests	<u><u>8,754</u></u>	<u><u>105,958</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 five out of six 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 four out of five 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\$25.2 million (six months ended 30th June, 2021: HK\$20.0 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 Magnificent Hotel and its subsidiaries was HK\$775 million (31st December, 2021: HK\$754 million). The increase in overall debts was due to the raise of new bank borrowings during the period. The gearing ratio of the Group (including Magnificent Hotel and its subsidiaries) in terms of overall debts against funds employed was 10% (31st December, 2021: 9%).

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 period, 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.

Six 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 report, 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 report, the acquisition has not been completed. Further details of the acquisition were disclosed in the Company’s announcement dated 11 May 2022 and circular dated 8 September 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.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2022, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be entered in the register required to be kept by the Company under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

The Company

Name of director	Capacity	Nature of interests	Number of shares/ underlying shares held	Approximate % of shareholding
William Cheng Kai Man	Beneficial owner and interest of controlled corporations	Personal and corporate	385,395,999 (Note)	66.48

Note:

Omnico Company Inc. ("Omnico"), Mercury Fast Limited ("Mercury Fast") and Trillion Resources Limited (a company incorporated in Hong Kong) ("Trillion Resources (HK)") beneficially owned 281,904,489 shares of the Company (the "Shares") (48.63%), 68,139,510 Shares (11.75%) and 33,642,000 Shares (5.80%) respectively. Mr. William Cheng Kai Man had controlling interests in these companies. In addition, Mr. William Cheng Kai Man beneficially owned 1,710,000 Shares (0.29%). All the above interests in the Shares are long position.

Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of Shares/ underlying Shares held	Approximate % of shareholding
William Cheng Kai Man	Magnificent Hotel Investments Limited (“Magnificent Hotel”) <i>(Note 1)</i>	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Shun Ho Holdings Limited (“Shun Ho Holdings”) <i>(Note 2)</i>	Beneficial owner and interest of controlled corporations	Personal and corporate	226,454,825	74.40
William Cheng Kai Man	Trillion Resources Limited (“Trillion Resources (BVI)”) <i>(Note 3)</i>	Beneficial owner	Personal	2	100.00

Notes:

1. Magnificent Hotel, the Company’s subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Shun Ho Holdings, the Company’s holding company, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources (BVI), the Company’s ultimate holding company, is a company incorporated in the British Virgin Islands.
4. All the above interests in the shares of the associated corporations are long position.

An employee share option scheme of Magnificent Hotel, a subsidiary of the Company was adopted at the extraordinary general meeting held on 14th November, 2013 (the “Share Option Scheme”) and was amended at the annual general meeting held on 18th June, 2014. Since the adoption of the Share Option Scheme and up to the date of this report, no share option has been granted under the Share Option Scheme and no other share option scheme was adopted by the Company and its subsidiaries.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 30th June, 2022, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company under Section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporations, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2022, the following persons (not being directors or chief executive of the Company) had interests in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding
Mercury Fast (<i>Note 1</i>)	Beneficial owner	68,139,510	11.75
Magnificent Hotel (<i>Note 1</i>)	Interest of controlled corporation	68,139,510	11.75
Omnico (<i>Note 2</i>)	Beneficial owner and interest of controlled corporations	350,043,999	60.38
Shun Ho Holdings (<i>Note 3</i>)	Interest of controlled corporations	383,685,999	66.18
Trillion Resources (BVI) (<i>Note 3</i>)	Interest of controlled corporations	383,685,999	66.18
Trillion Resources (HK) (<i>Note 3</i>)	Beneficial owner	33,642,000	5.80
Liza Lee Pui Ling (<i>Note 4</i>)	Interest of spouse	385,395,999	66.48
Credit Suisse Trust Limited (<i>Note 5</i>)	Interest of controlled corporations	63,379,591	10.93
Hashim Majed Hashim A. (<i>Note 5</i>)	Interest of controlled corporations	63,379,591	10.93
North Salomon Limited (<i>Note 5</i>)	Interest of controlled corporations	63,379,591	10.93
Saray Capital Limited (<i>Note 5</i>)	Interest of controlled corporations	63,379,591	10.93
Saray Value Fund SPC (<i>Note 5</i>)	Beneficial owner and interest in persons acting in concert	63,379,591	10.93
Hashim Ahmed Hashim A. (<i>Note 5</i>)	Beneficial owner and interest in persons acting in concert	63,379,591	10.93
Shobokshi Hussam Ali H. (<i>Note 5</i>)	Interest of controlled corporations	63,379,591	10.93

Notes:

1. Mercury Fast was a wholly-owned subsidiary of Magnificent Hotel.
2. Omnico beneficially owned 281,904,489 Shares and was taken to be interested in 68,139,510 Shares held by Mercury Fast which was owned as to 100% by Magnificent Hotel, which was in turn owned as to 71.09% by the Group, the Company was in turn directly and indirectly owned as to 60.38% by Omnico.
3. Both Omnico and Trillion Resources (HK) were direct wholly-owned subsidiaries of Shun Ho Holdings, which was in turn directly and indirectly owned as to 71.20% by Trillion Resources (BVI), which was in turn wholly-owned by Mr. William Cheng Kai Man. Since Trillion Resources (HK) beneficially owned 33,642,000 Shares (5.80%), Shun Ho Holdings and Trillion Resources (BVI) were taken to be interested in 383,685,999 Shares (66.18%) by virtue of their direct or indirect interests in Omnico and Trillion Resources (HK).
4. Madam Liza Lee Pui Ling was deemed to be interested in 385,395,999 Shares (66.48%) by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
5. Hashim Ahmed Hashim A. beneficially held 746,346 Shares. Saray Value Fund SPC (“Saray Value Fund”), a wholly-owned subsidiary of Saray Capital Limited, beneficially held 62,633,245 Shares. Saray Value SPV Asia I disposed of 746,346 Shares and ceased to be a concert party on 14 April 2022. Since Hashim Ahmed Hashim A. and Saray Value Fund are concert parties to an agreement to buy shares under section 317 (1)(a) of SFO, they are deemed to have interest in the Shares held by the other concert parties. Saray Capital Limited was held by Shobokshi Hussam Ali H. as to 26.76% and Hashim Majed Hashim A. as to 50%. Therefore, the total number of Shares in which Hashim Ahmed Hashim A., Saray Value Fund, Saray Capital Limited, Shobokshi Hussam Ali H. and Hashim Majed Hashim A. were interested under Sections 317 and 318 of SFO was 63,379,591 Shares.

Saray Value Fund was held by North Salomon Limited as to 67.40%. North Salomon Limited was held by Credit Suisse Trust Limited as to 100%. Therefore, the total number of Shares in which North Salomon Limited and Credit Suisse Trust Limited were interested under Sections 317 and 318 of SFO was 63,379,591 Shares.

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

INDEPENDENT REVIEW

The interim results for the six months ended 30th June, 2022 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included on pages 12 to 13 of this interim report. The interim results and the interim report 2022 have also been reviewed by the Group’s Audit Committee.

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.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 29th August, 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SHUN HO PROPERTY INVESTMENTS LIMITED

順豪物業投資有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shun Ho Property Investments Limited (the “Company”) and its subsidiaries set out on pages 14 to 44, which comprise the condensed consolidated statement of financial position as of 30th June, 2022 and the related condensed consolidated statement of profit or loss, statement of total comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29th August, 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

	NOTES	Six months ended 30th June, 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3		
Contracts with customers		286,391	145,436
Leases		77,161	86,909
Dividend income		42	–
		<hr/>	<hr/>
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 asset		(419)	(427)
		<hr/>	<hr/>
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		(27,321)	(21,964)
– Depreciation		(2,128)	(1,955)
– Others		(25,193)	(20,009)
Finance costs	5	(4,910)	(4,292)
		<hr/>	<hr/>
Profit before taxation		122,140	29,210
Income tax expense	6	(31,784)	(14,826)
		<hr/>	<hr/>
Profit for the period	7	90,356	14,384
		<hr/>	<hr/>
Profit for the period attributable to:			
Owners of the Company		61,092	14,374
Non-controlling interests		29,264	10
		<hr/>	<hr/>
		90,356	14,384
		<hr/>	<hr/>
		HK cents	HK cents
Earnings per share	9		
Basic		11.94	2.81
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>90,356</u>	<u>14,384</u>
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss		
Fair value loss on equity instruments at fair value through other comprehensive income	(1,066)	(7,575)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>(131,077)</u>	<u>20,034</u>
Other comprehensive (expense) income for the period	<u>(132,143)</u>	<u>12,459</u>
Total comprehensive (expense) income for the period	<u>(41,787)</u>	<u>26,843</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(32,849)	23,232
Non-controlling interests	<u>(8,938)</u>	<u>3,611</u>
	<u>(41,787)</u>	<u>26,843</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2022

	NOTES	As at 30th June, 2022 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2021 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,477,647	3,944,647
Right-of-use asset		25,926	27,657
Investment properties	11	4,699,520	4,787,605
Deposits paid for acquisition of investment properties		–	5,500
Deposit paid for acquisition of a subsidiary	13	142,070	–
Equity instruments at fair value through other comprehensive income	21	56,585	57,651
		<u>8,401,748</u>	<u>8,823,060</u>
CURRENT ASSETS			
Inventories		1,378	1,316
Trade and other receivables	12	58,133	11,705
Other deposits and prepayments		14,361	12,181
Financial assets at fair value through profit or loss (“FVTPL”)	21	–	12,450
Bank balances and cash		306,029	262,350
		<u>379,901</u>	300,002
Assets classified as held for sale	14	380,526	–
		<u>760,427</u>	<u>300,002</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	15	37,791	40,454
Rental and other deposits received		31,462	18,183
Contract liabilities		63,779	34,681
Amount due to an intermediate holding company	19(a)	4,828	10,666
Amount due to a shareholder	19(c)	5,088	5,088
Tax liabilities		29,480	5,114
Bank loans	16	765,297	738,408
		<u>937,725</u>	852,594
Liabilities associated with assets classified as held for sale	14	8,371	–
		<u>946,096</u>	<u>852,594</u>
NET CURRENT LIABILITIES		<u>(185,669)</u>	<u>(552,592)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>8,216,079</u></u>	<u><u>8,270,468</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 30TH JUNE, 2022

	<i>NOTES</i>	As at 30th June, 2022 HK\$'000 (Unaudited)	As at 31st December, 2021 HK\$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	17	1,084,887	1,084,887
Reserves		5,876,446	5,909,295
<hr/>			
Equity attributable to owners of the Company		6,961,333	6,994,182
Non-controlling interests		1,084,076	1,093,014
<hr/>			
TOTAL EQUITY		8,045,409	8,087,196
<hr/>			
NON-CURRENT LIABILITIES			
Rental deposits received		6,193	21,146
Deferred tax liabilities		164,477	162,126
<hr/>			
		170,670	183,272
<hr/>			
		8,216,079	8,270,468
<hr/>			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

	Attributable to owners of the Company											Total
	Share capital <i>HKS'000</i>	Capital reserve <i>HKS'000</i> <i>(Note a)</i>	Property revaluation reserve <i>HKS'000</i> <i>(Note b)</i>	Securities revaluation reserve <i>HKS'000</i>	General reserve <i>HKS'000</i>	Foreign currency translation reserve <i>HKS'000</i>	Own shares held by a subsidiary <i>HKS'000</i> <i>(Note c)</i>	Other reserve <i>HKS'000</i> <i>(Note d)</i>	Retained profits <i>HKS'000</i>	Sub-total <i>HKS'000</i>	Non-controlling interests <i>HKS'000</i>	
At 1st January, 2021 (audited)	1,084,887	4,181	50,832	6,943	263	6,845	(12,271)	498,660	5,292,943	6,933,283	1,074,016	8,007,299
Profit for the period	-	-	-	-	-	-	-	-	14,374	14,374	10	14,384
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(5,385)	-	-	-	-	-	(5,385)	(2,190)	(7,575)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	14,243	-	-	-	14,243	5,791	20,034
Total comprehensive (expense) income for the period	-	-	-	(5,385)	-	14,243	-	-	14,374	23,332	3,611	26,843
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	7,962	7,962
At 30th June, 2021 (unaudited)	<u>1,084,887</u>	<u>4,181</u>	<u>50,832</u>	<u>1,558</u>	<u>263</u>	<u>21,088</u>	<u>(12,271)</u>	<u>498,660</u>	<u>5,307,317</u>	<u>6,956,515</u>	<u>1,085,589</u>	<u>8,042,104</u>
At 1st January, 2022 (audited)	<u>1,084,887</u>	<u>4,181</u>	<u>50,832</u>	<u>2,294</u>	<u>263</u>	<u>4,167</u>	<u>(12,271)</u>	<u>498,660</u>	<u>5,361,169</u>	<u>6,994,182</u>	<u>1,093,014</u>	<u>8,087,196</u>
Profit for the period	-	-	-	-	-	-	-	-	61,092	61,092	29,264	90,356
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(758)	-	-	-	-	-	(758)	(308)	(1,066)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(93,183)	-	-	-	(93,183)	(37,894)	(131,077)
Total comprehensive (expense) income for the period	-	-	-	(758)	-	(93,183)	-	-	61,092	(32,849)	(8,938)	(41,787)
At 30th June, 2022 (unaudited)	<u>1,084,887</u>	<u>4,181</u>	<u>50,832</u>	<u>1,536</u>	<u>263</u>	<u>(89,016)</u>	<u>(12,271)</u>	<u>498,660</u>	<u>5,422,261</u>	<u>6,961,333</u>	<u>1,084,076</u>	<u>8,045,409</u>

Notes:

- (a) The capital reserve was created by capital reduction of the Company on 28th June, 1988.
- (b) The property revaluation reserve is arisen from the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.
- (c) The own shares held by a subsidiary represents the carrying amount of shares in the Company held by an entity at the time the entity became a subsidiary of the Company.
- (d) The other reserve was resulted from the acquisition of additional interest or disposal of partial interest in subsidiaries without losing control in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Profit before taxation	122,140	29,210
Adjustments for:		
Net decrease in fair value of investment properties	53,700	34,470
Loss (gain) on disposal of property, plant and equipment	449	(709)
Depreciation of property, plant and equipment	53,275	52,840
Depreciation of right-of-use asset	419	427
Other non-cash items	4,578	4,149
	<hr/>	<hr/>
Operating cash flows before movements in working capital	234,561	120,387
Increase in trade and other receivables	(47,367)	(489)
Decrease in rental and other deposits received	(1,629)	(582)
Increase in contract liabilities	34,245	4,742
Other changes in working capital	(4,367)	2,986
	<hr/>	<hr/>
Cash generated from operations	215,443	127,044
Hong Kong Profits Tax paid	–	(4,188)
Income tax paid in other jurisdictions	(3,174)	(6,383)
	<hr/>	<hr/>
Net cash from operating activities	212,269	116,473
	<hr/>	<hr/>
Investing activities		
Deposit paid for acquisition of a subsidiary	(142,070)	–
Addition of property, plant and equipment	(6,269)	(2,627)
Addition of investment properties	(49,500)	–
Proceeds from disposal of property, plant and equipment	189	2,050
Proceeds from disposal of financial assets at FVTPL	12,578	–
Interest received	204	136
	<hr/>	<hr/>
Net cash used in investing activities	(184,868)	(441)

**CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (Continued)**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Financing activities		
Interest paid	(4,674)	(3,990)
Bank loan raised	999,500	–
Repayment of bank loans	(948,780)	(32,922)
Repayment to an intermediate holding company	(5,923)	(7,180)
Proceeds from disposal of partial interest in a subsidiary	–	13,050
	<u>40,123</u>	<u>(31,042)</u>
Net cash from (used in) financing activities		
	67,524	84,990
Net increase in cash and cash equivalents		
	262,350	173,672
Cash and cash equivalents at the beginning of the period		
Effect of foreign exchange rate changes	(18,654)	1,463
	<u>311,220</u>	<u>260,125</u>
Cash and cash equivalents at the end of the period		
Represented by:		
Bank balances and cash	306,029	260,125
Bank balances and cash classified as held for sale	5,191	–
	<u>311,220</u>	<u>260,125</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

1. BASIS OF PREPARATION

Shun Ho Property Investments Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The Company’s immediate holding company is Omnico Company Inc., a wholly-owned subsidiary of Shun Ho Holdings Limited (“Shun Ho Holdings”, an intermediate holding company of the Company) which is a public limited company incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors of the Company consider the Company’s ultimate holding company to be Trillion Resources Limited, an international business company incorporated in the British Virgin Islands.

The condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the investment and operation of hotels, property investment and securities investment.

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 Hong Kong Stock Exchange.

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.

1. BASIS OF PREPARATION (*Continued*)

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\$185,669,000 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 intermediate 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 because:

- Management performed the going concern assessment, including the evaluation of the on-going impact of COVID-19 on the Group, the Group's access to available sources of liquidity;
- Management prepared the cash flow forecasts and covenant calculations for the going concern period to 30th September, 2023. The Group has modelled a base case which is consistent with the assumptions used in the Group's impairment assessments; downside scenarios which assumes a 10% decrease on revenue and how much additional downside percentage of revenue in hospitality segment could be absorbed before the unutilised bank facilities would need to be drawn;
- The Group is having a positive operating cash inflow at HK\$212,269,000 during the period and net increase in cash and cash equivalents of HK\$67,524,000. Moreover, Shun Ho Holdings Limited, which is the intermediate holding company agreed not to demand repayment on the amount due to intermediate holding company before the Group has the financial ability to do so and provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future; and
- The Group has unutilised banking facilities with aggregate amount of HK\$2,122,300,000 as at 30th June, 2022.

1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment, directly and indirectly affect the operations of the Group. The financial positions and performance of the Group may be affected in different aspects, including fluctuation in revenue and fair value of investment properties.

In the current interim period, six hotels of the Group participated in the Designated Quarantine Hotel Scheme (the “Scheme”). In particular, three hotels of the Group have also participated in Community Isolation Facility Hotel Scheme. The management considers that the participation of the schemes would have positive impact to the revenue of the Group and the six hotels are still participating in the Scheme up to the date of issuance of this condensed consolidated financial statements.

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*)

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 beginning 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 30th 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:

	Six months ended 30th June,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Income from operation of hotels	286,391	145,436
Income from property rental	77,161	86,909
Dividend income	42	–
	<u>363,594</u>	<u>232,345</u>

3. REVENUE (*Continued*)

Disaggregation of revenue for operation of hotels:

	Six months ended 30th June,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services (time of revenue recognition):		
Room revenue and other ancillary services (recognised over time)	264,179	144,204
Food and beverage (recognised at a point in time)	22,212	1,232
	<u>286,391</u>	<u>145,436</u>
	Six months ended 30th June,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Geographical markets:		
Hong Kong	276,521	137,859
The People's Republic of China (the "PRC")	9,870	7,577
	<u>286,391</u>	<u>145,436</u>

4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker (the "CODM"), being 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 – 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*)

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 results	
	Six months ended 30th June,		Six months ended 30th June,	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	286,391	145,436	125,953	1,574
– Best Western Plus Hotel Kowloon	12,090	9,277	(6,927)	(11,191)
– Best Western Plus Hotel Hong Kong	26,526	24,070	7,438	7,598
– Magnificent International Hotel, Shanghai	9,870	7,577	2,452	405
– Best Western Hotel Causeway Bay	43,947	17,020	26,387	(42)
– Ramada Hong Kong Harbour View	75,535	26,727	53,215	8,384
– Ramada Hong Kong Grand	69,439	21,613	36,995	(6,453)
– Grand City Hotel	19,215	13,209	6,442	1,017
– Ramada Hong Kong Grand View	29,769	25,943	1,077	1,856
– Wood Street Hotel	–	–	(1,126)	–
Property investment	77,161	86,909	22,682	52,010
– 633 King's Road	49,128	54,933	8,455	44,703
– Shun Ho Tower	9,122	8,993	(4,684)	(20,006)
– Shops, hotel and residential properties	18,911	22,983	18,911	27,313
Securities investment	42	–	42	–
	<u>363,594</u>	<u>232,345</u>	148,677	53,584
Other income and expenses and gains and losses			4,568	1,882
Administrative expenses			(26,195)	(21,964)
Finance costs			(4,910)	(4,292)
Profit before taxation			<u>122,140</u>	<u>29,210</u>

4. SEGMENT INFORMATION (*Continued*)

Segment results represent the result of each segment without allocation of administrative expenses, other income and expenses and gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	As at 30th June, 2022 HK\$'000 (Unaudited)	As at 31st December, 2021 HK\$'000 (Audited)
Segment assets		
Hospitality services	3,948,064	3,848,043
– Best Western Plus Hotel Kowloon	314,233	324,624
– Best Western Plus Hotel Hong Kong	310,785	310,097
– Magnificent International Hotel, Shanghai	66,577	69,000
– Best Western Hotel Causeway Bay	294,908	292,194
– Ramada Hong Kong Harbour View	500,815	485,694
– Ramada Hong Kong Grand	635,843	634,197
– Grand City Hotel	375,335	377,110
– Ramada Hong Kong Grand View	913,273	922,162
– Wood Street Hotel	394,225	432,965
– Deposit paid for acquisition of a subsidiary	142,070	–
Property investments	4,704,148	4,798,055
– 633 King's Road	2,932,804	2,973,766
– Shun Ho Tower	683,763	696,884
– Shops, hotel and residential properties	1,087,581	1,121,905
– Deposits paid for acquisition of investment properties	–	5,500
Securities investment	56,626	71,137
Total segment assets	8,708,838	8,717,235
Unallocated assets	453,337	405,827
Consolidated assets	<u>9,162,175</u>	<u>9,123,062</u>

4. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	As at 30th June, 2022 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2021 <i>HK\$'000</i> (Audited)
Segment liabilities		
Hospitality services	95,707	60,671
– Best Western Plus Hotel Kowloon	4,253	4,540
– Best Western Plus Hotel Hong Kong	16,151	11,255
– Magnificent International Hotel, Shanghai	1,286	1,630
– Best Western Hotel Causeway Bay	11,077	5,500
– Ramada Hong Kong Harbour View	22,512	10,817
– Ramada Hong Kong Grand	15,751	7,830
– Grand City Hotel	6,716	7,478
– Ramada Hong Kong Grand View	17,961	11,621
Property investments	46,785	48,682
– 633 King's Road	29,434	30,105
– Shun Ho Tower	6,109	6,656
– Shops, hotel and residential properties	11,242	11,921
Securities investment	4	1
Total segment liabilities	142,496	109,354
Unallocated liabilities	974,270	926,512
Consolidated liabilities	<u>1,116,766</u>	<u>1,035,866</u>

The respective segment assets and liabilities of Grand City Hotel are included in the assets classified as held for sale and liabilities associated with assets classified as held for sale which are presented in the condensed consolidated financial statements of financial position, respectively.

4. SEGMENT INFORMATION (*Continued*)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than the Group's head office corporate assets (including certain property, plant and equipment) and all bank balances and cash and certain other receivables and deposits; and
- all liabilities are allocated to operating and reportable segments other than the Group's head office corporate liabilities, amount due to an intermediate holding company, amount due to a shareholder, bank loans, tax liabilities and deferred tax liabilities.

5. FINANCE COSTS

	Six months ended 30th June,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans	4,825	3,949
Amount due to an intermediate holding company (<i>Note 19(b)</i>)	85	343
	<u>4,910</u>	<u>4,292</u>

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The taxation expense comprises:		
Current tax:		
Hong Kong	24,501	8,774
The PRC	209	–
The United Kingdom (the “UK”)	3,108	4,029
	27,818	12,803
(Over)underprovision in prior years		
Hong Kong	(40)	(40)
The UK	–	298
	27,778	13,061
Deferred tax	4,006	1,765
	31,784	14,826

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.

Deferred tax liabilities on the temporary differences attributable to the undistributed retained profit earned by the Company’s PRC subsidiary amounted to HK\$212,000 (six months ended 30th June, 2021: HK\$26,000) were charged to profit or loss for the six months ended 30th June, 2022.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

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

Depreciation of right-of-use asset	419	427
Depreciation of property, plant and equipment	53,275	52,840
Interest on bank deposits (<i>Note</i>)	(204)	(136)
Loss (gain) on disposal of property, plant and equipment (<i>Note</i>)	449	(709)

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

8. DIVIDEND

During the six months ended 30th June, 2022 and 30th June, 2021, no dividend was declared and paid to shareholders for the year ended 31st December, 2021 and 31st December, 2020.

The directors have resolved not to declare or propose an interim dividend for the six months ended 30th June, 2022 and 30th June, 2021.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK\$61,092,000 (six months ended 30th June, 2021: HK\$14,374,000) and on 511,613,000 shares (six months ended 30th June, 2021: 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 earnings per share for both periods are not presented as there are no potential ordinary shares outstanding during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2022, the Group acquired property, plant and equipment of HK\$6,269,000 (six months ended 30th June, 2021: HK\$7,400,000).

The Group has disposed of property, plant and equipment with carrying amount of HK\$638,000 (six months ended 30th June, 2021: HK\$1,341,000) during the period.

11. INVESTMENT PROPERTIES

Investment properties are stated at fair value based on the valuations performed by independent professional valuers which are not connected with the Group and the Directors of the Company. The fair value is derived by using income approach to assess the market value of the investment properties. During the assessment of the fair values of investment properties, the valuers and the Directors of the Company have exercised their judgement and are satisfied that the method of valuation and the key inputs, including term yield, reversionary yield and market rent are reflective of the current market conditions. If there are changes in the assumptions used for the valuations, the fair value of the investment properties will change in the future.

The investment properties of the Group with an aggregate carrying amount of approximately HK\$4,168,260,000 (31st December, 2021: HK\$4,347,647,000) were rented out under operating leases at the end of the reporting period. Outgoing expense for investment properties that are not generating income during the period are insignificant. The resulting net loss on fair value changes of investment properties of HK\$53,700,000 has been recognised directly in profit or loss for the six months ended 30th June, 2022 (six months ended 30th June, 2021: HK\$34,470,000).

11. INVESTMENT PROPERTIES *(Continued)*

The income approach estimates the values of the properties on an open market basis by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. The term value involves the capitalisation of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised on a fully leased basis. In this approach, the valuers have considered the term yield and reversionary yield. The term yield is used for capitalisation of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

During the six months ended 30th June, 2021, an investment property (37 Wood Street, London) originally held for rental purpose was transferred to property, plant and equipment upon the commencement of the development with a view to property, plant and equipment at fair value of HK\$435,375,000 at the date of transfer.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

12. TRADE AND OTHER RECEIVABLES

	As at 30th June, 2022 HK\$'000 (Unaudited)	As at 31st December, 2021 HK\$'000 (Audited)
Trade receivables from contracts with customers	48,307	4,660
Lease receivables	2,434	3,073
Other receivables	7,392	3,972
	<u>58,133</u>	<u>11,705</u>

12. TRADE AND OTHER RECEIVABLES (*Continued*)

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

	As at 30th June, 2022 HK\$'000 (Unaudited)	As at 31st December, 2021 HK\$'000 (Audited)
Not yet due	41,025	7,722
Overdue:		
0 – 30 days	9,657	–
31 – 60 days	–	–
61 – 90 days	59	11
	<u>50,741</u>	<u>7,733</u>

13. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 11th May, 2022, an indirect wholly owned subsidiary of the Group has entered into the sale and purchase agreement with an independent third party to the Group to acquire the entire issued share capital of Ocean Time Investments Limited (“Ocean Time”) and accept the assignment of the sale loan, the aggregate amount then outstanding and owing by Ocean Time, at a consideration of HK\$1,420,695,000, subject to certain working capital adjustments. As at 30 June, 2022, an aggregate sum of HK\$142,070,000 as initial deposits had been paid and such deposit was recorded as “deposit paid for acquisition of a subsidiary” in the condensed consolidated statement of financial position.

14. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 11th May, 2022, the directors of the Company resolved to dispose of one of the Group's subsidiary, Sino Money Investments Limited ("Sino Money"), which own a hotel namely Grand City Hotel. The assets and liabilities attributable to the hotel, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position. The hotel operation is included in the Group's hospitality services for segment reporting purposes (see Note 4).

The major classes of assets and liabilities of the hotel classified as held for sale are as follows:

	As at 30th June, 2022 HK\$'000 (Unaudited)
Property, plant and equipment	373,561
Inventories	47
Trade and other receivables	939
Other deposits and prepayments	788
Bank balances and cash	<u>5,191</u>
Total assets classified as held for sale	<u><u>380,526</u></u>
Trade and other payables and accruals	1,524
Other deposits received	45
Contract liabilities	5,147
Deferred tax liabilities	<u>1,655</u>
Total liabilities associated with assets classified as held for sale	<u><u>8,371</u></u>

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30th June, 2022 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2021 <i>HK\$'000</i> (Audited)
Trade payables	4,814	5,351
Other payables and accruals	<u>32,977</u>	<u>35,103</u>
	<u>37,791</u>	<u>40,454</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 30th June, 2022 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2021 <i>HK\$'000</i> (Audited)
0 – 30 days	4,756	5,320
31 – 60 days	57	4
61 – 90 days	<u>1</u>	<u>27</u>
	<u>4,814</u>	<u>5,351</u>

16. BANK LOANS

	As at 30th June, 2022 HK\$'000 (Unaudited)	As at 31st December, 2021 HK\$'000 (Audited)
Secured bank loans	<u>765,297</u>	<u>738,408</u>
The carrying amounts of bank loans are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	<u>593,597</u>	<u>644,277</u>
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) and/but repayable:		
Within one year	171,700	92,329
Within a period of more than one year but not exceeding two years	–	709
Within a period of more than two years but not exceeding five years	<u>–</u>	<u>1,093</u>
	<u>171,700</u>	<u>94,131</u>
	<u>765,297</u>	<u>738,408</u>
Amounts shown under current liabilities	<u>765,297</u>	<u>738,408</u>

All the Group's bank loans are floating rate borrowings. The bank loans are secured over certain of the Group's assets as disclosed in note 20. Effective interest rate is 1.28% per annum (31st December, 2021: 1.29% per annum).

17. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares		
Issued and fully paid:		
At 1st January, 2021 (audited),		
30th June, 2021 (unaudited),		
31st December, 2021 (audited) and		
30th June, 2022 (unaudited)	<u>579,753</u>	<u>1,084,887</u>

At 30th June, 2022, the Company's 68,140,000 (31st December, 2021: 68,140,000) issued shares were held by a subsidiary of the Company. In accordance with the Hong Kong Companies Ordinance, members of the Group who are shareholders of the Company have no right to vote at meetings of the Company.

18. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 10th March, 2022, the Group acquired 100% interest in More Progress Limited at a cash consideration of HK\$31,000,000. The cash outflows arising on acquisition of More Progress Limited is HK\$31,000,000. More Progress Limited holds an investment property located in Hong Kong. On 20th April, 2022, the Group acquired 100% interest in Lucky Gold Investment Limited at a cash consideration of HK\$24,000,000. Lucky Gold Investment Limited holds an investment property located in Hong Kong. The cash outflows arising on acquisition of Lucky Gold Investment Limited is HK\$24,000,000.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 Business Combinations and concluded that the investment properties are considered a single identifiable asset. Consequently, the Group determined that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets is not a business.

18. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

Consideration transferred for the acquisition of More Progress Limited:

	<i>HK\$'000</i> (Unaudited)
Cash paid	27,900
Deposit paid in 2021	<u>3,100</u>
	<u><u>31,000</u></u>

Assets and liabilities recognised at the date of acquisition of More Progress Limited

	<i>HK\$'000</i> (Unaudited)
Investment property	31,103
Other deposits and prepayments	27
Accruals	(3)
Rental deposits received	(96)
Other payables	<u>(31)</u>
Net assets recognised	<u><u>31,000</u></u>

18. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

Consideration transferred for the acquisition of Lucky Gold Investment Limited:

	<i>HK\$'000</i> (Unaudited)
Cash paid	21,600
Deposit paid in 2021	<u>2,400</u>
	<u><u>24,000</u></u>

Assets recognised at the date of acquisition of Lucky Gold Investment Limited

	<i>HK\$'000</i> (Unaudited)
Investment property	23,997
Other deposits	<u>3</u>
Total assets recognised	<u><u>24,000</u></u>

19. RELATED PARTY TRANSACTIONS

Other than those disclosed in the condensed consolidated financial statements, the Group had the following transactions and balance with related parties during the period:

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Shun Ho Holdings Limited (the Company's intermediate holding company) and its subsidiaries*		
Corporate management fee income for administrative facilities provided	75	75
Amount due to the intermediate holding company at the end of the reporting period (<i>Note a</i>)	4,828	27,457
Compensation of key management personnel (<i>Note b</i>)	10,607	8,419
Rental income from Mr. William Cheng Kai Man	420	–
Amount due to Mr. William Cheng Kai Man (<i>Note c</i>)	5,088	–
	<u>5,088</u>	<u>–</u>

* exclude the Company and its subsidiaries

Notes:

- (a) The amount due to intermediate holding company was secured, carried interest at fixed rate 2% per annum and repayable on demand.
- (b) The compensation of key management personnel comprised short-term and post employment benefits attributable to such personnel.
- (c) The amount due to a shareholder which is non-traded related, unsecured, interest free and repayable on demand.

20. PLEDGE OF ASSETS

At the end of reporting period, the bank loan facilities of the Group were secured by the followings:

- (a) investment properties and hotel properties of the Group with carrying amounts as at 30th June, 2022 of approximately HK\$3,875 million (31st December, 2021: HK\$4,004 million) and HK\$2,526 million (31st December, 2021: HK\$3,214 million), respectively;
- (b) pledge of shares in certain subsidiaries of the Company with an aggregate net asset value as at 30th June, 2022 of approximately HK\$3,929 million (31st December, 2021: HK\$3,992 million);
- (c) assignment of property rental of certain subsidiaries of the Company; and
- (d) assignment of insurance on a hotel property and certain investment properties.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30th June, 2022 HK\$'000 (Unaudited)	31st December, 2021 HK\$'000 (Audited)		
Financial assets at FVTPL	-	12,450	Level 1	Quoted bid prices in an active market
Equity instrument at fair value through other comprehensive income	56,585	57,651	Level 1	Quoted bid prices in an active market

The directors of the Company consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11th May, 2022, an indirect wholly-owned subsidiary of the Company entered into an agreement with Crest Incorporated to acquire entire issued share capital in Ocean Time, with a cash consideration of HK\$1,420,695,000, subject to certain working capital adjustments. At the date of issuance of the condensed consolidated financial statements, the acquisition has not yet been completed. For details, please refer to Company's announcement dated 11th May, 2022.

On 11th May, 2022, Magnificent Hotel Investments Limited, a subsidiary of the Company, and Babenna Limited ("Babenna"), an indirect wholly-owned subsidiary of the Company as vendor also entered into a sales and purchase agreement with SYP Investment Limited, an independent third party as purchaser to dispose the entire issued share capital of Sino Money and assign the loan owing by Sino Money to Babenna as at completion, with a cash consideration of HK\$900,000,000, subject to certain working capital adjustments and the consideration expected to be payable by the purchaser after adjustment would not exceed HK\$920,000,000. At the date of issuance of the condensed consolidated financial statements, the disposal has not yet been completed and it is expected to be completed in September. For details, please refer to Company's circular dated 27th July, 2022.