



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

Interim Report 2021

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
(appointed on 20th July, 2021)

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
Level 54, Hopewell Centre
183 Queen's Road East
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, 2021 was HK\$14 million (loss for the six months ended 30th June, 2020: HK\$142 million), increased by HK\$156 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 the current COVID-19 crisis may continue to affect international travels for a long time and therefore future hotel income base and cashflow will continue to be highly unstable, the Board does not recommend the payment of interim dividend for the six months ended 30th June, 2021 (six months ended 30th June, 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the period, the Group continued with its commercial properties investment and property leasing, 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, 2021 was HK\$14 million (loss for the six months ended 30th June, 2020: HK\$142 million), increased by HK\$156 million.

	Six months ended		Change
	30.6.2020 <i>HK\$’000</i> (unaudited)	30.6.2021 <i>HK\$’000</i> (unaudited)	
(Loss) profit from operation of hotels	(64,692)	153	N/A
(Loss) profit from property investment	(105,920)	49,139	N/A
Income from securities investments	53	–	-100%
Other income and expenses and gains and losses	10,128	1,882	-81%
	(160,431)	51,174	N/A
Administrative expenses	(25,328)	(21,964)	-13%
Income tax expense	(3,401)	(14,826)	+336%
(Loss) profit after taxation	(189,160)	14,384	N/A
Non-controlling interests	46,829	(10)	N/A
(Loss) profit after taxation and non-controlling interests	(142,331)	14,374	N/A

The overall increase in profit for the six months ended 30th June, 2021 was mainly due to increase in hotel revenue.

PERFORMANCE

1. Hotel Business

The income from hotel operations of the Group amounted to HK\$145 million (six months ended 30th June, 2020: HK\$85 million), increased by 71%.

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, 2021 was HK\$9 million (loss for the six months ended 30th June, 2020: HK\$154 million), increased by HK\$163 million.

	Six months ended		Change
	30.6.2020	30.6.2021	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
(Loss) profit from operation of hotels	(49,907)	373	N/A
(Loss) profit from property investment	(99,247)	26,245	N/A
Income from securities investments	53	–	-100%
Other income and gains and losses	9,489	2,229	-77%
	(139,612)	28,847	N/A
Administrative expenses	(19,113)	(15,829)	-17%
Income tax credit (expense)	4,866	(4,255)	N/A
(Loss) profit after taxation	(153,859)	8,763	N/A
Non-controlling interests	–	(9)	N/A
(Loss) profit after taxation and non-controlling interests	(153,859)	8,754	N/A

The overall increase in profit for the six months ended 30th June, 2021 was mainly due to increase in hotel revenue and revaluation gain.

For the six months ended 30th June, 2021, the **Group's income** of **Magnificent Hotel** was mostly derived from the aggregate of income from operation of hotels and investment properties, which was analysed as follows:

Income

	Six months ended		Change	Reason
	30.6.2020 <i>HK\$'000</i> (unaudited)	30.6.2021 <i>HK\$'000</i> (unaudited)		
Income from operation of hotels	71,463	119,493	+67%	Increase in room rates and occupancies
Income from investment properties	18,782	22,983	+22%	Royal Scot Hotel, London, Wood Street Hotel project and apartment leasing
Dividend income	53	-	-100%	No dividend received from stock investment
Other income	<u>9,489</u>	<u>2,229</u>	-77%	
Total	<u>99,787</u>	<u>144,705</u>	+45%	

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 45% from HK\$100 million to HK\$145 million for the same period compared with last year.

As at 30th June, 2021, an independent third party valuation of the Royal Scot Hotel, London was GBP83,000,000 (As at 31st December, 2020: GBP83,000,000). The rental income of Royal Scot Hotel, London for the period was GBP1,768,000, equivalent to HK\$18,846,000 (six months ended 30th June, 2020: GBP1,769,000, equivalent to HK\$17,474,000), increased by 8% (in term of HK dollars).

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\$87 million (six months ended 30th June, 2020: HK\$85 million).

During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$20 million (six months ended 30th June, 2020: HK\$21 million), representing costs for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

LIQUIDITY

As at 30th June, 2021, the **OVERALL DEBTS** of the Group including Magnificent Hotel and its subsidiaries was HK\$820 million (31st December, 2020: HK\$850 million). The decrease in overall debts was due to the repayment of 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, 2020: 11%).

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

As at 30th June, 2021, the Group had a total number of 491 employees (31st December, 2020: 566 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. Overseas/PRC visitors have dropped significantly and most hotels and retail stores suffer from an over 90% drop in turnover.

During the period, the rental income of Royal Scot Hotel, London increased by 8% compared with last year.

The Group acquired Wood Street Police Headquarter building in the centre of City of London for GBP40 million on 29th January, 2020 which has a gross internal area of 117,472 s.f. on a 20,000 s.f. island site with planning consents approved 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 newly acquired Wood Street Hotel refurbishment project in London.

Hong Kong has been suffering from US-Sino trade war and COVID-19 which have stopped international/PRC tourism visiting. Such unforeseeable circumstances have adversely affected the local economy, hospitality, retail and hotel market of Hong Kong with most establishments either closed or operating on low occupancies with significant losses.

It is the management's view that for the remaining 2021, 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.

Most of the tenants at the Group's 633 King's Road office building and Shun Ho Tower are multinational trading companies and because of the US/China trade war and retail closures that weakened economy and consumption index, those trading companies tenants are experiencing difficulties. Thus, it is expected the vacancies of the buildings may increase quickly.

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, 2021.

DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 30th June, 2021, 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	375,423,999 <i>(Note)</i>	64.76

Note:

Omnico Company Inc. ("Omnico"), Mercury Fast Limited ("Mercury Fast") and Trillion Resources Limited ("Trillion Resources") beneficially owned 281,904,489 shares of the Company (the "Shares") (48.63%), 68,139,510 Shares (11.75%) and 23,670,000 Shares (4.08%) 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") (Note 1)	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Shun Ho Holdings Limited ("Shun Ho Holdings") (Note 2)	Beneficial owner and interest of controlled corporations	Personal and corporate	223,626,825	73.47
William Cheng Kai Man	Trillion Resources (Note 3)	Beneficial owner	Personal	2	100

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, 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, 2021, 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, 2021, 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	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	373,713,999	64.46
Trillion Resources <i>(Note 3)</i>	Interest of controlled corporations	373,713,999	64.46
Liza Lee Pui Ling <i>(Note 4)</i>	Interest of spouse	375,423,999	64.76
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
Saray Value SPV Asia I <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. Omnico was wholly-owned by Shun Ho Holdings, which was in turn directly and indirectly owned as to 71.20% by Trillion Resources, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Shun Ho Holdings and Trillion Resources were taken to be interested in 373,713,999 Shares, representing 64.46% by virtue of their direct or indirect interests in Omnico and Shun Ho Holdings' another subsidiary which beneficially owned 23,670,000 Shares, representing 4.08%.
4. Madam Liza Lee Pui Ling was deemed to be interested in 375,423,999 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
5. Saray Value SPV Asia I ("Saray Value SPV") beneficially held 62,303,591 Shares. Saray Value Fund SPC ("Saray Value Fund") beneficially held 1,076,000 Shares. Both Saray Value SPV and Saray Value Fund were wholly-owned subsidiaries of Saray Capital Limited. Therefore, Saray Value SPV had interest in persons acting in concert of 1,076,000 Shares held by Saray Value Fund. Saray Value Fund had interest in persons acting in concert of 62,303,591 Shares held by Saray Value SPV. Saray Capital Limited was held by Shobokshi Hussam Ali H. as to 35% and Hashim Majed Hashim A. as to 45%. Therefore, the total number of Shares in which Saray Value SPV, 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 SPV was held by North Salomon Limited as to 88.49% and Saray Value Fund was held by North Salomon Limited as to 75.04%. 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, 2021 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 page 15 of this interim report. The interim results and the interim report 2021 have also been reviewed by the Group’s Audit Committee.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the six month ended 30th June, 2021, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) with the exception of the following deviations:

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

The Company does not have separate appointments for the Chairman and the Chief Executive Officer. Mr. William Cheng Kai Man holds both positions. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It also facilitates planning and execution of the Company’s strategy and is hence, for the interests of the Company and its shareholders. It is also significantly cost-saving for Mr. Cheng, the Chairman to also serve as the Chief Executive Officer, which would have otherwise been recruited from the market at a heavy cost.

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

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

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

For the period from 1st January, 2021 to 18th March, 2021, the terms of reference of the nomination committee adopted by the Company were in compliance with Code Provision A.5.2 except that it was not the duty of the nomination committee to select individuals nominated for directorships. The nomination committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Therefore, such duty was performed by the Board. However, the terms of reference of the nomination committee have been revised to fully comply with Code Provision A.5.2 since 19th March, 2021.

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

For the period from 1st January, 2021 to 18th March, 2021, the terms of reference of the remuneration committee adopted by the Company were in compliance with Code Provision B.1.2 except that it was not the duties of the remuneration committee to approve the management's remuneration proposals, compensation payable to executive directors and senior management for any loss or termination of office or appointment and compensation arrangements relating to dismissal or removal of directors for misconduct. The remuneration committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Therefore, such duties were performed by the board. However, the terms of reference of the remuneration committee have been revised to fully comply with Code Provision B.1.2 since 19th March, 2021.

(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.

(c) **Change in Directors' information**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information, as notified to the Company, subsequent to the date of the 2020 Annual Report, are set out below:

Mr. Vincent Kwok Chi Sun

- Resigned as an independent non-executive Director of the Company, Magnificent Hotel, Shun Ho Holdings and ceased to be the chairman of the audit committee and remuneration committee of the aforesaid companies with effect from 8th July, 2021.

Immediately following his resignation, the number of independent non-executive Directors has been reduced to two, representing less than one-third of the Board, and the Audit Committee has only two members, hence the Company failed to meet the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

Mr. Chan Kim Fai

- Appointed as the chairman of the audit committee and the remuneration committee of the Company, Magnificent Hotel and Shun Ho Holdings with effect from 8th July, 2021; and
- Resigned as an independent non-executive director of China Fortune Investments (Holdings) Limited, a company whose shares are listed on the Stock Exchange (stock code: 8116), with effect from 1st April, 2021.

Mr. Lam Kwai Cheung

- Appointed as a member of the remuneration committee of the Company, Magnificent Hotel and Shun Ho Holdings with effect from 8th July, 2021.

Mr. Warren Liu Yuk Cho

- Appointed as an independent non-executive Director and a member of the audit committee of the Company, Magnificent Hotel, Shun Ho Holdings with effect from 20th July, 2021.

Since the appointment of Mr. Warren Liu Yuk Cho, the Company has resumed full compliance with the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 20th August, 2021

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 17 to 46, which comprise the condensed consolidated statement of financial position as of 30th June, 2021 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
20th August, 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	NOTES	Six months ended 30th June, 2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Revenue	3		
Contracts with customers		145,436	85,355
Leases		86,909	85,269
Dividend income		—	53
		<hr/>	<hr/>
Total revenue		232,345	170,677
Cost of sales		(333)	(247)
Other service costs		(92,646)	(95,270)
Depreciation of property, plant and equipment		(50,885)	(51,022)
Depreciation of right-of-use assets		(427)	(391)
		<hr/>	<hr/>
Gross profit		88,054	23,747
Decrease in fair value of investment properties		(34,470)	(184,229)
Other income and expenses and gains and losses		1,882	10,128
Administrative expenses		(21,964)	(25,328)
– Depreciation		(1,955)	(4,370)
– Others		(20,009)	(20,958)
Finance costs	5	(4,292)	(10,077)
		<hr/>	<hr/>
Profit (loss) before taxation		29,210	(185,759)
Income tax expense	6	(14,826)	(3,401)
		<hr/>	<hr/>
Profit (loss) for the period	7	<u>14,384</u>	<u>(189,160)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		14,374	(142,331)
Non-controlling interests		10	(46,829)
		<hr/>	<hr/>
		<u>14,384</u>	<u>(189,160)</u>
		<hr/>	<hr/>
Earnings (loss) per share	9	<i>HK cents</i>	<i>HK cents</i>
Basic		<u>2.81</u>	<u>(27.82)</u>

**CONDENSED CONSOLIDATED STATEMENT OF TOTAL
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period	<u>14,384</u>	<u>(189,160)</u>
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss		
Fair value loss on equity instruments at fair value through other comprehensive income	(7,575)	(41,246)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>20,034</u>	<u>(76,024)</u>
Other comprehensive income (expense) for the period	<u>12,459</u>	<u>(117,270)</u>
Total comprehensive income (expense) for the period	<u><u>26,843</u></u>	<u><u>(306,430)</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	23,232	(225,698)
Non-controlling interests	<u>3,611</u>	<u>(80,732)</u>
	<u><u>26,843</u></u>	<u><u>(306,430)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2021

	<i>NOTES</i>	As at 30th June, 2021 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2020 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	3,998,247	3,608,818
Right-of-use assets		27,511	27,629
Investment properties	<i>11</i>	4,776,650	5,224,310
Equity instruments at fair value through other comprehensive income		56,616	64,191
		8,859,024	8,924,948
CURRENT ASSETS			
Inventories		1,285	1,208
Trade and other receivables	<i>12</i>	13,569	13,080
Other deposits and prepayments		11,990	17,109
Bank balances and cash		260,125	173,672
		286,969	205,069
CURRENT LIABILITIES			
Trade and other payables and accruals	<i>13</i>	38,090	35,414
Rental and other deposits received		11,136	11,982
Contract liabilities		27,664	22,922
Amount due to an intermediate holding company	<i>16(b)</i>	27,457	34,294
Amount due to a shareholder		5,088	–
Tax liabilities		16,850	14,203
Bank loans	<i>14</i>	416,424	170,948
		542,709	289,763
NET CURRENT LIABILITIES		(255,740)	(84,694)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,603,284	8,840,254

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30TH JUNE, 2021

	NOTES	As at 30th June, 2021 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2020 <i>HK\$'000</i> (Audited)
CAPITAL AND RESERVES			
Share capital	15	1,084,887	1,084,887
Reserves		<u>5,871,628</u>	<u>5,848,396</u>
Equity attributable to owners of the Company		6,956,515	6,933,283
Non-controlling interests		<u>1,085,589</u>	<u>1,074,016</u>
TOTAL EQUITY		<u>8,042,104</u>	<u>8,007,299</u>
NON-CURRENT LIABILITIES			
Bank loans	14	371,433	645,237
Rental deposits received		30,422	30,158
Deferred tax liabilities		<u>159,325</u>	<u>157,560</u>
		<u>561,180</u>	<u>832,955</u>
		<u>8,603,284</u>	<u>8,840,254</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	Attributable to owners of the Company											
	Share capital HK\$'000	Capital reserve HK\$'000 (Note a)	Property revaluation reserve HK\$'000 (Note b)	Securities revaluation reserve HK\$'000	General reserve HK\$'000	Foreign currency translation reserve HK\$'000	Own shares held by a subsidiary HK\$'000 (Note c)	Other reserve HK\$'000 (Note d)	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000 (Note e)	Total HK\$'000
At 1st January, 2020 (audited)	1,084,887	4,181	50,186	41,805	263	(26,813)	(12,271)	498,660	5,464,578	7,105,476	1,138,061	8,243,537
Loss for the period	-	-	-	-	-	-	-	-	(142,331)	(142,331)	(46,829)	(189,160)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(29,322)	-	-	-	-	-	(29,322)	(11,924)	(41,246)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(54,045)	-	-	-	(54,045)	(21,979)	(76,024)
Total comprehensive expense for the period	-	-	-	(29,322)	-	(54,045)	-	-	(142,331)	(225,698)	(80,732)	(306,430)
At 30th June, 2020 (unaudited)	<u>1,084,887</u>	<u>4,181</u>	<u>50,186</u>	<u>12,483</u>	<u>263</u>	<u>(80,858)</u>	<u>(12,271)</u>	<u>498,660</u>	<u>5,322,247</u>	<u>6,879,778</u>	<u>1,057,329</u>	<u>7,937,107</u>
At 1st January, 2021 (audited)	<u>1,084,887</u>	<u>4,181</u>	<u>50,832</u>	<u>6,943</u>	<u>263</u>	<u>6,845</u>	<u>(12,271)</u>	<u>498,660</u>	<u>5,292,943</u>	<u>6,933,283</u>	<u>1,074,016</u>	<u>8,007,299</u>
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	23,232	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>

Notes:

- The capital reserve was created by capital reduction of the Company on 28th June, 1988.
- 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.
- 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.
- The other reserve was resulted from the acquisition of additional interest or disposal of partial interest in subsidiaries without losing control in previous years.
- Magnificent Hotel Investments Limited, a subsidiary of the Company, had disposed 25% equity interest in its subsidiary incorporated in Hong Kong, Postal Power Company Limited ("Postal Power") and a sale debt of HK\$5,088,000 to Mr. William Cheng, the Executive Director and ultimate controlling shareholder of the Company at a cash consideration of HK\$13,050,000 on 27th May 2021. The disposal had been accounted for as equity transaction. In the opinion of the directors, the difference between the consideration and the fair value of the sale debt and the disposed equity interest of Postal Power was considered insignificant.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Profit (loss) before taxation	29,210	(185,759)
Adjustments for:		
Decrease in fair value of investment properties	34,470	184,229
(Gain) loss on disposal of property, plant and equipment	(709)	7
Depreciation of property, plant and equipment	52,840	55,392
Depreciation of right-of-use assets	427	391
Other non-cash items	4,149	3,740
	<hr/>	<hr/>
Operating cash flows before movements in working capital	120,387	58,000
Increase in trade and other receivables	(489)	(10,424)
Decrease in rental and other deposits received	(582)	(996)
Increase in contract liabilities	4,742	1,499
Other changes in working capital	2,986	144
	<hr/>	<hr/>
Cash generated from operations	127,044	48,223
Hong Kong Profits Tax paid	(4,188)	(32,677)
Income tax paid in other jurisdictions	(6,383)	(3,351)
	<hr/>	<hr/>
Net cash from operating activities	116,473	12,195
Investing activities		
Addition of property, plant and equipment	(2,627)	(29,438)
Proceeds from disposal of property, plant and equipment	2,050	132
Interest received	136	416
	<hr/>	<hr/>
Net cash used in investing activities	(441)	(28,890)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Financing activities		
Interest paid	(3,990)	(9,909)
Bank loan raised	–	384,430
Repayment of bank loans	(32,922)	(32,105)
Dividends paid to shareholders	–	(12,046)
(Repayment to) advances from an intermediate holding company	(7,180)	34,115
Proceeds from disposal of partial interest in a subsidiary without losing control	<u>13,050</u>	<u>–</u>
Net cash (used in) from financing activities	<u>(31,042)</u>	<u>364,485</u>
Net increase in cash and cash equivalents	84,990	347,790
Cash and cash equivalents at the beginning of the period	173,672	152,176
Effect of foreign exchange rate changes	<u>1,463</u>	<u>(830)</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>260,125</u>	<u>499,136</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

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, 2020 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, 2020 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\$255,740,000 as at 30th June, 2021. 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, 2022. 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\$116,473,000 during the period and net increase in cash and cash equivalents of HK\$84,990,000. 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
- The Group has unutilised banking facilities with aggregate amount of HK\$910,500,000 as at 30th June, 2021.

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 were affected in different aspects, including reduction in revenue and change in fair value of investment properties.

In the current interim period, six hotels of the Group participated in the Designated Quarantine Hotel Scheme (the “Scheme”). The management considers that the participation of the Scheme 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, 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2020.

Accounting policies which became relevant to the Group

Investment properties

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation or of development with a view to owner-occupation. For a transfer from investment property carried at fair value to owner-occupied property, the property’s deemed cost for subsequent accounting are determined by reference to its fair value at the date of change in use.

2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the amendments issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1st January, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, 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.

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” (Continued)

Accounting policies (Continued)

Financial instruments (Continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (Continued)

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 “Financial Instruments” on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

Transition and summary of effects

As at 1st January, 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	HKD Hong Kong Interbank Offered Rate <i>HK\$'000</i>	GBP London Interbank Offered Rate <i>HK\$'000</i>
Financial liabilities		
Bank loans	<u>518,923</u>	<u>268,934</u>

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” *(Continued)*

Transition and summary of effects (Continued)

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31st December, 2021.

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,	
	2021	2020
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Income from operation of hotels	145,436	85,355
Income from property rental	86,909	85,269
Dividend income	–	53
	<u>232,345</u>	<u>170,677</u>

3. REVENUE (*Continued*)

Disaggregation of revenue for operation of hotels:

	Six months ended 30th June,	
	2021	2020
	<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)	144,204	83,991
Food and beverage (recognised at a point in time)	1,232	1,364
	<u>145,436</u>	<u>85,355</u>
	Six months ended 30th June,	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Geographical markets:		
Hong Kong	137,859	83,689
The People's Republic of China (the "PRC")	7,577	1,666
	<u>145,436</u>	<u>85,355</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 property
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,	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospitality services	145,436	85,355	1,574	(60,657)
– Best Western Plus Hotel Kowloon	9,277	9,486	(11,191)	(12,983)
– Best Western Plus Hotel Hong Kong	24,070	15,582	7,598	(1,881)
– Magnificent International Hotel, Shanghai	7,577	1,666	405	(3,350)
– Best Western Hotel Causeway Bay	17,020	8,573	(42)	(8,139)
– Ramada Hong Kong Harbour View	26,727	14,387	8,384	(3,610)
– Ramada Hong Kong Grand	21,613	13,397	(6,453)	(15,058)
– Grand City Hotel	13,209	8,372	1,017	(4,535)
– Ramada Hong Kong Grand View	25,943	13,892	1,856	(11,101)
Property investment	86,909	85,269	52,010	(99,878)
– 633 King's Road	54,933	56,102	44,703	15,347
– Shun Ho Tower	8,993	10,385	(20,006)	(17,578)
– Shops, hotel and residential property	22,983	18,782	27,313	(97,647)
Securities investment	<u>–</u>	<u>53</u>	<u>–</u>	<u>53</u>
	<u>232,345</u>	<u>170,677</u>	53,584	(160,482)
Other income and expenses and gains and losses			1,882	10,128
Administrative expenses			(21,964)	(25,328)
Finance costs			(4,292)	(10,077)
Profit (loss) before taxation			<u>29,210</u>	<u>(185,759)</u>

4. SEGMENT INFORMATION (*Continued*)

Segment revenue and results (*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, 2021 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2020 <i>HK\$'000</i> (Audited)
Segment assets		
Hospitality services	3,903,222	3,510,504
– Best Western Plus Hotel Kowloon	334,836	345,427
– Best Western Plus Hotel Hong Kong	311,442	313,814
– Magnificent International Hotel, Shanghai	68,829	68,957
– Best Western Hotel Causeway Bay	297,823	303,483
– Ramada Hong Kong Harbour View	489,321	491,377
– Ramada Hong Kong Grand	648,752	662,933
– Grand City Hotel	379,554	381,820
– Ramada Hong Kong Grand View	932,144	942,693
– Wood Street Hotel	440,521	–
Property investment	4,782,512	5,231,583
– 633 King's Road	2,974,944	2,985,994
– Shun Ho Tower	725,318	754,479
– Shops, hotels and residential property	1,082,250	1,491,110
Securities investment	56,616	64,191
Total segment assets	8,742,350	8,806,278
Unallocated assets	403,643	323,739
Consolidated assets	9,145,993	9,130,017

4. SEGMENT INFORMATION (*Continued*)

Segment assets and liabilities (*Continued*)

	As at 30th June, 2021 HK\$'000 (Unaudited)	As at 31st December, 2020 HK\$'000 (Audited)
Segment liabilities		
Hospitality services	49,128	42,570
– Best Western Plus Hotel Kowloon	4,313	3,866
– Best Western Plus Hotel Hong Kong	5,759	4,621
– Magnificent International Hotel, Shanghai	2,081	2,030
– Best Western Hotel Causeway Bay	6,341	5,083
– Ramada Hong Kong Harbour View	9,448	7,794
– Ramada Hong Kong Grand	7,987	8,771
– Grand City Hotel	5,085	3,516
– Ramada Hong Kong Grand View	8,114	6,889
Property investment	51,661	51,413
– 633 King's Road	32,577	32,701
– Shun Ho Tower	6,557	6,726
– Shops, hotel and residential property	12,527	11,986
Securities investment	7	1
Total segment liabilities	100,796	93,984
Unallocated liabilities	1,003,093	1,028,734
Consolidated liabilities	1,103,889	1,122,718

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), 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,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans	3,949	9,909
Amount due to an intermediate holding company (<i>Note 16b</i>)	<u>343</u>	<u>168</u>
	<u>4,292</u>	<u>10,077</u>

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The taxation expense comprises:		
Current tax:		
Hong Kong	8,774	8,953
The United Kingdom (the "UK")	<u>4,029</u>	<u>3,041</u>
	12,803	11,994
(Over) under provision in prior years		
Hong Kong	(40)	(311)
The UK	<u>298</u>	<u>131</u>
	13,061	11,814
Deferred tax	<u>1,765</u>	<u>(8,413)</u>
	<u>14,826</u>	<u>3,401</u>

6. INCOME TAX EXPENSE (*Continued*)

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, 2021 (six months ended 30th June, 2020: 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\$26,000 (six months ended 30th June, 2020: Nil) were charged to profit or loss for the six months ended 30th June, 2021.

7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting) the following items:		
Depreciation of right-of-use assets	427	391
Depreciation of property, plant and equipment	52,840	55,392
Interest on bank deposits (<i>Note</i>)	(136)	(416)
(Gain) loss on disposal of property, plant and equipment (<i>Note</i>)	(709)	7
	<u>(709)</u>	<u>7</u>

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

8. DIVIDEND

During the six months ended 30th June, 2021 and 30th June, 2020, no dividend was declared and paid to shareholders for the year ended 31st December, 2020 and 31st December, 2019.

The directors have resolved not to declare or propose an interim dividend for the six months ended 30th June, 2021 and 30th June, 2020.

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the period attributable to the owners of the Company of HK\$14,374,000 (loss for the six months ended 30th June, 2020: HK\$142,331,000) and on 511,613,000 shares (six months ended 30th June, 2020: 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 (loss) 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, 2021, the Group acquired property, plant and equipment of HK\$7,400,000 (six months ended 30th June, 2020: HK\$29,438,000).

The Group has disposed of property, plant and equipment with carrying amount of HK\$1,341,000 (six months ended 30th June, 2020: HK\$139,000) during the period.

During the period ended 30 June, 2020, a building with a carrying amount of HK\$57,499,000 was transferred from property, plant and equipment to investment properties.

10. PROPERTY, PLANT AND EQUIPMENT (*Continued*)

Impairment assessment of leasehold land and hotel buildings (“Hotel Properties”)

The impact of COVID-19 pandemic on the Group’s hospitality segment result has been considered as an indicator for impairment testing on Hotel Properties, the management engaged independent valuer (“Valuer”) to assess the recoverable amounts of the Hotel Properties in Hong Kong and the management assess the recoverable amount of the Hotel Property in Shanghai. The carrying amount of Hotel Properties is HK\$3,380,912,000 as at 30th June, 2021. The recoverable amount of these Hotel Properties are estimated individually and have been determined by discounted cash flow analysis.

The estimation of the recoverable amounts of the Hotel Properties involves Valuer and management’s judgment and is dependent on certain assumptions and key inputs used in the valuation report which includes the discount rates, terminal growth rates and estimated revenue per available room with estimated occupancy rates. Based on the result of the assessment, the carrying amount of the Hotel Properties has not been reduced since the amount of value in use of the Hotel Properties is higher than the carrying amount. Accordingly, no impairment loss was recognised as at 30th June, 2021.

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 and residual method respectively 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, market rent, hotel building cost and developers profit required 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\$4,496,051,000 (31st December, 2020: HK\$5,021,780,000) 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\$34,470,000 has been recognised directly in profit or loss for the six months ended 30th June, 2021 (six months ended 30th June, 2020: HK\$184,229,000).

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.

An investment property (37 Wood Street, London) is valued by using residual method whereas the residual method is applied for developing land or projects to estimate the value of an undeveloped land. It is used when there are no comparable market prices available. The residual method starts with a notional value, the net realisation value from similar projects and less the development cost and also the profit of the developer, then the residual value will be arrived. There are many assumptions necessary in the calculation and the results react very sensitively to even small changes in the input variables. During the period, the investment property 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, 2021 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2020 <i>HK\$'000</i> (Audited)
Trade receivables from contracts with customers	3,776	3,257
Lease receivables	2,691	3,590
Other receivables	7,102	6,233
	<u>13,569</u>	<u>13,080</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 30th June, 2021 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2020 <i>HK\$'000</i> (Audited)
Not yet due	6,384	6,807
Overdue:		
0 – 30 days	43	24
31 – 60 days	3	1
61 – 90 days	37	15
	<u>6,467</u>	<u>6,847</u>

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30th June, 2021 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2020 <i>HK\$'000</i> (Audited)
Trade payables	4,756	2,945
Other payables and accruals	<u>33,334</u>	<u>32,469</u>
	<u>38,090</u>	<u>35,414</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, 2021 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	3,851	2,505
31 – 60 days	904	439
61 – 90 days	<u>1</u>	<u>1</u>
	<u>4,756</u>	<u>2,945</u>

14. BANK LOANS

	As at 30th June, 2021 HK\$'000 (Unaudited)	As at 31st December, 2020 HK\$'000 (Audited)
Secured bank loans	<u>787,857</u>	<u>816,185</u>
The carrying amounts of bank loans are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	309,084	61,556
Within a period of more than one year but not exceeding two years	<u>371,433</u>	<u>645,237</u>
	<u>680,517</u>	<u>706,793</u>
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	105,190	95,396
Within a period of more than one year but not exceeding two years	702	12,194
Within a period of more than two years but not exceeding five years	<u>1,448</u>	<u>1,802</u>
	<u>107,340</u>	<u>109,392</u>
	<u>787,857</u>	<u>816,185</u>
Amounts shown under current liabilities	416,424	170,948
Amounts shown under non-current liabilities	<u>371,433</u>	<u>645,237</u>
	<u>787,857</u>	<u>816,185</u>

14. BANK LOANS (*Continued*)

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 17. Effective interest rate is 0.98% per annum (31st December, 2020: 1.84% per annum).

15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares		
Issued and fully paid:		
At 1st January, 2020 (audited),		
30th June, 2020 (unaudited),		
31st December, 2020 (audited)		
and 30th June, 2021 (unaudited)	<u>579,753</u>	<u>1,084,887</u>

At 30th June, 2021, the Company's 68,140,000 (31st December, 2020: 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.

16. 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,	
	2021	2020
	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
Compensation of key management personnel (<i>Note a</i>)	8,419	7,682
Amount due to the intermediate holding company at the end of the reporting period (<i>Note b</i>)	<u>27,457</u>	<u>34,294</u>

* exclude the Company and its subsidiaries

Notes:

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

17. 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, 2021 of approximately HK\$3,964 million (31st December, 2020: HK\$3,960 million) and HK\$3,257 million (31st December, 2020: HK\$3,300 million), respectively;
- (b) pledge of shares in certain subsidiaries of the Company with an aggregate net asset value as at 30th June, 2021 of approximately HK\$3,909 million (31st December, 2020: HK\$4,462 million);
- (c) assignment of property rental of certain subsidiaries of the Company; and
- (d) assignment of insurance on certain of the hotel properties.

18. 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).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30th June, 2021 <i>HK\$'000</i> (Unaudited)	31st December, 2020 <i>HK\$'000</i> (Audited)		
Equity instrument at fair value through other comprehensive income	56,616	64,191	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.