



**SHUN HO HOLDINGS LIMITED**

**順豪控股有限公司**

**(Stock Code: 253)**

**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](http://www.shunho.com.hk)

## **INTERIM RESULTS**

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

## **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 through its major subsidiaries continued with its commercial properties investment, property leasing and property development, and hotel investments and hotel management.

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

## **PERFORMANCE**

### **1. Hotel Business**

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

The Group owns 66.18% of Shun Ho Property Investments Limited (“Shun Ho Property”, together with its subsidiaries, “Shun Ho Property Group”) which holds 71.09% of Magnificent Hotel Investments Limited (“Magnificent Hotel”, together with its subsidiaries, “Magnificent Hotel Group”) as its hotel investment subsidiary. The Group and Magnificent Hotel Group presently own nine hotels, including: (1) Ramada Hong Kong Grand View, (2) Ramada Hong Kong Harbour View, (3) Best Western Plus Hotel Kowloon, (4) Best Western Plus Hotel Hong Kong, (5) Ramada Hong Kong Grand, (6) Best Western Hotel Causeway Bay, (7) Grand City Hotel, (8) Magnificent International Hotel, Shanghai and (9) Royal Scot Hotel in London. The nine hotels have about 2,821 guest rooms and the Group is one of the largest hotel groups in Hong Kong.

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

	<b>Six months ended</b>		
	30.6.2021	<b>30.6.2022</b>	<b>Change</b>
	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	
	(unaudited)	<b>(unaudited)</b>	
Profit from operation of hotels	373	<b>126,031</b>	+33,688%
Profit from property investment	26,245	<b>16,989</b>	-35%
Income from securities investments	–	<b>42</b>	N/A
Other income and gains and losses	<u>2,229</u>	<b><u>3,554</u></b>	+59%
	28,847	<b>146,616</b>	+408%
Administrative expenses	(15,829)	<b>(18,065)</b>	+14%
Income tax expense	<u>(4,255)</u>	<b><u>(22,546)</u></b>	+430%
Profit after taxation	8,763	<b>106,005</b>	+1,110%
Non-controlling interests	<u>(9)</u>	<b><u>(47)</u></b>	+422%
Profit after taxation and non-controlling interests	<u><u>8,754</u></u>	<b><u><u>105,958</u></u></b>	+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\$25.8 million (six months ended 30th June, 2021: HK\$20.6 million). The increase was partly due to the cost of new acquisitions.

## LIQUIDITY

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

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

As at 30th June, 2022, the Group had a total number of 475 employees (31st December, 2021: 486 employees). Remuneration and benefit were set with reference to the market.

## BUSINESS HIGHLIGHTS

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

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

The Group acquired Wood Street Police Headquarter building in the centre of City of London for GBP40 million on 29th January, 2020 which has a gross internal area of 117,472 s.f. on a 20,000 s.f. island site and obtained planning consents approval to refurbish a deluxe hotel of about 216 guest rooms, restaurants, bar and facilities. The management is making further application to increase number of guest rooms while making preparations for the commencement of refurbishment works. The management is pleased to have this opportunity to renovate this landmark heritage building in the centre of City of London.

## **LOOKING AHEAD**

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

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

It is the management's view that in the remaining 2022, due to the continuous COVID-19 effect, it is quite unlikely that significant overseas/PRC visitors will return to Hong Kong. Hotels in Hong Kong and retail stores will continue to suffer from low occupancies and high operating costs. The management will continue to try to control hotel operating costs.

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	226,454,825 <i>(Note)</i>	74.40

#### *Note:*

Trillion Resources Limited ("Trillion Resources (BVI)") beneficially owned 154,006,125 shares in the Company (the "Shares") (50.60%) and Mercury Fast Limited ("Mercury Fast") beneficially owned 62,602,700 Shares (20.60%). Mr. William Cheng Kai Man had controlling interests in the above-mentioned companies. In addition, Mr. William Cheng Kai Man beneficially owned 9,846,000 Shares (3.23%). 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	Shun Ho Property Investments Limited ("Shun Ho Property") <i>(Note 1)</i>	Beneficial owner and interest of controlled corporations	Personal and corporate	385,395,999	66.48
William Cheng Kai Man	Magnificent Hotel Investments Limited ("Magnificent Hotel") <i>(Note 2)</i>	Interest of controlled corporations	Corporate	6,360,585,437	71.09
William Cheng Kai Man	Trillion Resources (BVI) <i>(Note 3)</i>	Beneficial owner	Personal	2	100.00

### Notes:

1. Shun Ho Property, the Company's subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Magnificent Hotel, the Company's indirect subsidiary, 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, an indirect 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 corporation, 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 Share held	Approximate % of shareholding
Mercury Fast	Beneficial owner	62,602,700	20.60
Magnificent Hotel <i>(Note 1)</i>	Interest of controlled corporation	62,602,700	20.60
Shun Ho Property <i>(Note 1)</i>	Interest of controlled corporation	62,602,700	20.60
Trillion Resources (BVI) <i>(Note 2)</i>	Beneficial owner and interest of controlled corporation	216,608,825	71.20
Liza Lee Pui Ling <i>(Note 3)</i>	Interest of spouse	226,454,825	74.40

*Notes:*

- Magnificent Hotel and Shun Ho Property were taken to be interested in 62,602,700 Shares held by Mercury Fast, a wholly-owned subsidiary of Magnificent Hotel which in turn owned as to 71.09% by Shun Ho Property and its subsidiaries.
- Trillion Resources (BVI) beneficially owned 154,006,125 Shares (50.60%) and was taken to be interested in 62,602,700 Shares (20.60%) held by Mercury Fast which is the Company's indirect subsidiary.
- Madam Liza Lee Pui Ling was deemed to be interested in 226,454,825 Shares (74.40%) by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.
- All the above interests in the Shares are long position.

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 page 12 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 HOLDINGS LIMITED

順豪控股有限公司

*(incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shun Ho Holdings Limited (the “Company”) and its subsidiaries set out on pages 13 to 40, 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**

	<i>NOTES</i>	<b>Six months ended 30th June, 2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2021 <i>HK\$'000</i> <b>(Unaudited)</b>
Revenue	3		
Contracts with customers		286,391	145,436
Leases		77,161	86,909
Dividend income		42	–
Total revenue		<b>363,594</b>	232,345
Cost of sales		<b>(18,138)</b>	(333)
Other service costs		<b>(90,387)</b>	(92,646)
Depreciation of property, plant and equipment		<b>(51,147)</b>	(50,885)
Depreciation of right-of-use asset		<b>(419)</b>	(427)
Gross profit		<b>203,503</b>	88,054
Net decrease in fair value of investment properties		<b>(53,700)</b>	(34,470)
Other income and expenses and gains and losses		<b>4,568</b>	1,882
Administrative expenses		<b>(27,907)</b>	(22,593)
– Depreciation		<b>(2,128)</b>	(1,955)
– Others		<b>(25,779)</b>	(20,638)
Finance costs	5	<b>(5,645)</b>	(5,053)
Profit before taxation		<b>120,819</b>	27,820
Income tax expense	6	<b>(31,784)</b>	(14,826)
Profit for the period	7	<b>89,035</b>	12,994
Profit for the period attributable to:			
Owners of the Company		<b>31,150</b>	4,293
Non-controlling interests		<b>57,885</b>	8,701
		<b>89,035</b>	12,994
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic	9	<b>12.88</b>	1.78

**CONDENSED CONSOLIDATED STATEMENT OF TOTAL  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2022*

	<b>Six months ended 30th June,</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period	<u>89,035</u>	<u>12,994</u>
<b>Other comprehensive (expense) income</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	187	(62)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u>(131,077)</u>	<u>20,034</u>
Other comprehensive (expense) income for the period	<u>(130,890)</u>	<u>19,972</u>
Total comprehensive (expense) income for the period	<u><u>(41,855)</u></u>	<u><u>32,966</u></u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(19,495)	11,777
Non-controlling interests	<u>(22,360)</u>	<u>21,189</u>
	<u><u>(41,855)</u></u>	<u><u>32,966</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30TH JUNE, 2022*

	<i>NOTES</i>	As at <b>30th June, 2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31st December, 2021 <i>HK\$'000</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>3,477,647</b>	3,944,647
Right-of-use asset		<b>25,926</b>	27,657
Investment properties	<i>11</i>	<b>4,699,520</b>	4,787,605
Deposits paid for acquisition of investment properties		–	5,500
Deposit paid for acquisition of a subsidiary	<i>13</i>	<b>142,070</b>	–
Equity instruments at fair value through other comprehensive income	<i>21</i>	<b>1,495</b>	1,308
		<b><u>8,346,658</u></b>	<u>8,766,717</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>1,378</b>	1,316
Trade and other receivables	<i>12</i>	<b>58,342</b>	11,961
Other deposits and prepayments		<b>14,565</b>	12,431
Financial assets at fair value through profit or loss (“FVTPL”)	<i>21</i>	–	12,450
Bank balances and cash		<b>307,253</b>	262,453
		<b><u>381,538</u></b>	300,611
Assets classified as held for sale	<i>14</i>	<b>380,526</b>	–
		<b><u>762,064</u></b>	<u>300,611</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

AT 30TH JUNE, 2022

	NOTES	As at 30th June, 2022 HK\$'000 (Unaudited)	As at 31st December, 2021 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	15	38,035	40,841
Rental and other deposits received		31,462	18,183
Contract liabilities		63,779	34,681
Amount due to ultimate holding company	19(a)	37,272	40,070
Amount due to a shareholder	19(c)	5,088	5,088
Tax liabilities		29,487	5,120
Bank loans	16	765,297	738,408
		<b>970,420</b>	<b>882,391</b>
Liabilities associated with assets classified as held for sale	14	8,371	–
		<b>978,791</b>	<b>882,391</b>
<b>NET CURRENT LIABILITIES</b>		<b>(216,727)</b>	<b>(581,780)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,129,931</b>	<b>8,184,937</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	172,252	172,252
Reserves		3,850,010	3,864,005
Equity attributable to owners of the Company		4,022,262	4,036,257
Non-controlling interests		3,936,999	3,965,408
<b>TOTAL EQUITY</b>		<b>7,959,261</b>	<b>8,001,665</b>
<b>NON-CURRENT LIABILITIES</b>			
Rental deposits received		6,193	21,146
Deferred tax liabilities		164,477	162,126
		<b>170,670</b>	<b>183,272</b>
		<b>8,129,931</b>	<b>8,184,937</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN  
EQUITY**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2022*

	Attributable to owners of the Company									
	Share capital <i>HKS'000</i>	Property revaluation reserve <i>HKS'000</i> <i>(Note a)</i>	Securities revaluation reserve <i>HKS'000</i> <i>(Note b)</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>	Total <i>HKS'000</i>
At 1st January, 2021 (audited)	172,252	23,043	(13,747)	5,488	(12,834)	891,326	2,821,188	3,886,716	4,043,050	7,929,766
Profit for the period	-	-	-	-	-	-	4,293	4,293	8,701	12,994
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(23)	-	-	-	-	(23)	(39)	(62)
Exchange differences arising on translation of foreign operations	-	-	-	7,507	-	-	-	7,507	12,527	20,034
Total comprehensive (expense) income for the period	-	-	(23)	7,507	-	-	4,293	11,777	21,189	32,966
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	7,962	7,962
At 30th June, 2021 (unaudited)	<u>172,252</u>	<u>23,043</u>	<u>(13,770)</u>	<u>12,995</u>	<u>(12,834)</u>	<u>891,326</u>	<u>2,825,481</u>	<u>3,898,493</u>	<u>4,072,201</u>	<u>7,970,694</u>
At 1st January, 2022 (audited)	<u>172,252</u>	<u>23,043</u>	<u>(13,854)</u>	<u>3,804</u>	<u>(12,834)</u>	<u>1,012,245</u>	<u>2,851,601</u>	<u>4,036,257</u>	<u>3,965,408</u>	<u>8,001,665</u>
Profit for the period	-	-	-	-	-	-	31,150	31,150	57,885	89,035
Fair value gain on equity instruments at fair value through other comprehensive income	-	-	72	-	-	-	-	72	115	187
Exchange differences arising on translation of foreign operations	-	-	-	(50,717)	-	-	-	(50,717)	(80,360)	(131,077)
Total comprehensive income (expense) for the period	-	-	72	(50,717)	-	-	31,150	(19,495)	(22,360)	(41,855)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	5,500	-	5,500	(6,049)	(549)
At 30th June, 2022 (unaudited)	<u>172,252</u>	<u>23,043</u>	<u>(13,782)</u>	<u>(46,913)</u>	<u>(12,834)</u>	<u>1,017,745</u>	<u>2,882,751</u>	<u>4,022,262</u>	<u>3,936,999</u>	<u>7,959,261</u>

## **CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (*Continued*)**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2022*

*Notes:*

- (a) 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.
- (b) Included in securities revaluation reserve at 30th June, 2022 consists of (i) the Group's share of a decrease in change in value of securities amounting to HK\$12,252,000 for the year ended 31st December, 2001 attributable to the securities held by a former associate, and (ii) the Group's share of the cumulative fair value losses on equity instruments at fair value through other comprehensive income amounting to HK\$1,530,000 (30th June, 2021: HK\$1,518,000). The associate has become a subsidiary of the Company since 2001.
- (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**

	<b>Six months ended 30th June,</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Operating activities</b>		
Profit before taxation	120,819	27,820
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	5,313	3,806
	<hr/>	<hr/>
Operating cash flows before movements in working capital	233,975	118,654
Increase in trade and other receivables	(47,320)	(747)
Decrease in rental and other deposits received	(1,629)	(582)
Increase in contract liabilities	34,245	4,742
Other changes in working capital	(4,463)	3,178
	<hr/>	<hr/>
Cash generated from operations	214,808	125,245
Hong Kong Profits Tax paid	–	(4,188)
Income tax paid in other jurisdictions	(3,174)	(6,383)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>211,634</b>	<b>114,674</b>
<b>Investing activities</b>		
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/>
<b>Net cash used in investing activities</b>	<b>(184,868)</b>	<b>(441)</b>

## 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)
<b>Financing activities</b>		
Interest paid	(4,674)	(3,990)
New bank loans raised	999,500	–
Repayment of bank loans	(948,780)	(32,922)
Acquisition of additional interest in a subsidiary	(549)	–
Proceeds from disposal of partial interest in a subsidiary	–	13,050
Advance from ultimate holding company	–	1,104
Repayment to ultimate holding company	(3,618)	(11,012)
<b>Net cash from (used in) financing activities</b>	<b>41,879</b>	<b>(33,770)</b>
<b>Net increase in cash and cash equivalents</b>	<b>68,645</b>	<b>80,463</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>262,453</b>	<b>178,469</b>
Effect of foreign exchange rate changes	(18,654)	1,463
<b>Cash and cash equivalents at the end of the period</b>	<b>312,444</b>	<b>260,395</b>
Represented by:		
Bank balances and cash	307,253	260,395
Bank balances and cash classified as held for sale	5,191	–
	<b>312,444</b>	<b>260,395</b>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *FOR THE SIX MONTHS ENDED 30TH JUNE, 2022*

### **1. BASIS OF PREPARATION**

Shun Ho Holdings 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 directors of the Company consider the Company’s parent company and 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.

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.

## 1. BASIS OF PREPARATION (*Continued*)

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$216,727,000 as at 30th June, 2022. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations, including internal resources and available unutilised banking facilities. The ultimate holding company and the shareholder has also agreed not to demand for repayment until the Group has the financial ability to do so. Accordingly, the condensed consolidated financial statements have been prepared in conformity with principles applicable to a going concern basis 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\$211,634,000 during the period and net increase in cash and cash equivalents of HK\$68,645,000. Moreover, Trillion Resources Limited, which is the ultimate holding company agreed not to demand repayment on the amount due to ultimate 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 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, 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2021.

### **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:

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

Disaggregation of revenue for operation of hotels:

	<b>Six months ended 30th June,</b>	
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Types of goods or services (time of revenue recognition):		
Room revenue and other ancillary services (recognised over time)	<b>264,179</b>	144,204
Food and beverage (recognised at a point in time)	<b>22,212</b>	1,232
	<b><u>286,391</u></b>	<u>145,436</u>

### 3. REVENUE *(Continued)*

	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")	<u>9,870</u>	<u>7,577</u>
	<u><b>286,391</b></u>	<u><b>145,436</b></u>

### 4. SEGMENT INFORMATION

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

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.

#### 4. SEGMENT INFORMATION (Continued)

##### 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 <i>HK\$'000</i> (Unaudited)	As at 31st December, 2021 <i>HK\$'000</i> (Audited)
<b>Segment assets</b>		
Hospitality services	<b>3,948,064</b>	3,848,043
– Best Western Plus Hotel Kowloon	<b>314,233</b>	324,624
– Best Western Plus Hotel Hong Kong	<b>310,785</b>	310,097
– Magnificent International Hotel, Shanghai	<b>66,577</b>	69,000
– Best Western Hotel Causeway Bay	<b>294,908</b>	292,194
– Ramada Hong Kong Harbour View	<b>500,815</b>	485,694
– Ramada Hong Kong Grand	<b>635,843</b>	634,197
– Grand City Hotel	<b>375,335</b>	377,110
– Ramada Hong Kong Grand View	<b>913,273</b>	922,162
– Wood Street Hotel	<b>394,225</b>	432,965
– Deposit paid for acquisition of a subsidiary	<b>142,070</b>	–
Property investments	<b>4,704,148</b>	4,798,055
– 633 King's Road	<b>2,932,804</b>	2,973,766
– Shun Ho Tower	<b>683,763</b>	696,884
– Shops, hotel and residential properties	<b>1,087,581</b>	1,121,905
– Deposits paid for acquisition of investment properties	–	5,500
Securities investment	<b>1,536</b>	15,017
Total segment assets	<b>8,653,748</b>	8,661,115
Unallocated assets	<b>454,974</b>	406,213
<b>Consolidated assets</b>	<b><u>9,108,722</u></b>	<b><u>9,067,328</u></b>

#### 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)
<b>Segment liabilities</b>		
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	1,006,965	956,309
<b>Consolidated liabilities</b>	<b>1,149,461</b>	<b>1,065,663</b>

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.

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 ultimate 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 ultimate holding company (note 19(a))	820	1,104
	<u>5,645</u>	<u>5,053</u>

## 6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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
	<u>27,818</u>	<u>12,803</u>
(Over)underprovision in prior years		
Hong Kong	(40)	(40)
The UK	–	298
	<u>27,778</u>	<u>13,061</u>
Deferred tax	4,006	1,765
	<u>31,784</u>	<u>14,826</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, 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 profits earned by the Company's PRC subsidiary amounted to HK\$212,000 (six months 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 (Note)	(204)	(136)
Loss (gain) on disposal of property, plant and equipment (Note)	449	(709)
	<u>449</u>	<u>(709)</u>

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

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

## **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).

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.

## 11. INVESTMENT PROPERTIES *(Continued)*

During the six months ended 30th June, 2021, the 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

	<b>As at 30th June, 2022 HK\$'000 (Unaudited)</b>	<b>As at 31st December, 2021 HK\$'000 (Audited)</b>
Trade receivables from contracts with customers	<b>48,307</b>	4,660
Lease receivables	<b>2,434</b>	3,073
Other receivables	<b>7,601</b>	4,228
	<b><u>58,342</u></b>	<u>11,961</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:

	<b>As at 30th June, 2022 HK\$'000 (Unaudited)</b>	<b>As at 31st December, 2021 HK\$'000 (Audited)</b>
Not yet due	<b>41,025</b>	7,722
Overdue:		
0 – 30 days	<b>9,657</b>	–
31 – 60 days	–	–
61 – 90 days	<b>59</b>	11
	<b><u>50,741</u></b>	<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 holds a hotel namely Grand City Hotel. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal company 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 disposing subsidiary classified as held for sale are as follows:

	<b>As at 30th June, 2022 HK\$’000 (Unaudited)</b>
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>
<b>Total assets classified as held for sale</b>	<b><u>380,526</u></b>
Trade and other payables and accruals	1,524
Other deposits received	45
Contract liabilities	5,147
Deferred tax liabilities	<u>1,655</u>
<b>Total liabilities associated with assets classified as held for sale</b>	<b><u>8,371</u></b>

## 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>33,221</u>	<u>35,490</u>
	<u><b>38,035</b></u>	<u><b>40,841</b></u>

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	As at 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><b>4,814</b></u>	<u><b>5,351</b></u>

## 16. BANK LOANS

	<b>As at 30th June, 2022 HK\$'000 (Unaudited)</b>	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	<b>171,700</b>	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><b>171,700</b></u>	<u>94,131</u>
	<u><b>765,297</b></u>	<u>738,408</u>
Amounts shown under current liabilities	<u><b>765,297</b></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>304,369</u>	<u>172,252</u>

At 30th June, 2022, the Company's 62,603,000 (31st December, 2021: 62,603,000) 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.

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>31,000</u>

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

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	(31)
	<hr/>
Net assets recognised	<u>31,000</u>

Consideration transferred for the acquisition of Lucky Gold Investment Limited:

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

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

	<i>HK\$'000</i> (Unaudited)
Investment property	23,997
Other deposits	3
	<hr/>
Total assets recognised	<u>24,000</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)
<b>Trillion Resources Limited (the Company's ultimate holding company)</b>		
Interest expenses	820	1,104
Amount due to the ultimate holding company at the end of the reporting period ( <i>note a</i> )	37,272	43,801
Compensation of key management personnel ( <i>note b</i> )	10,907	8,602
Rental income from Mr. William Cheng Kai Man	420	–
Amount due to Mr. William Cheng Kai Man ( <i>note c</i> )	<u>5,088</u>	<u>–</u>

### Notes:

- (a) The amount due to ultimate holding company is unsecured, carries interest at HIBOR plus 4% (31st December, 2021: HIBOR plus 4%) 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-trade related, unsecured, interest free and repayable on demand.

## 20. PLEDGE OF ASSETS

At the end of the 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\$4,044 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	31st December, 2021		
	HK\$'000 (Unaudited)	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	1,495	1,308	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 non 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.